

ECON 385-002: INTERNATIONAL ECONOMIC POLICY

Fall 2016

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| Instructor: | Fernando Arteaga | Time: | Tu,Th 15:00 – 16:15 |
| Email: | farteaga@gmu.edu | Place: | Room 120, Planetary Hall |
| Office Hours: | Wednesdays, 19:10-21:00 at Mason Hall D167-1 | | |

The goal of this course is to help students understand international trade policy in historical perspective. It is designed for non-economics majors.

The course is divided in two sections: A theoretical and a historical part. The objective is to give the student a firm grasp of the basic toolkit used by the economists, and to show him how it can be used to explain the world we live in.

The first section of the class will start by exploring the basics of supply and demand; notwithstanding its simplicity, it can take us very far in explaining how and why international trade occurs. We will then focus in understanding the crucial difference between absolute advantage and comparative advantage, and we will see why it is so important. Having grasped these concepts, we will center on why and how governments intervene in trade. We will then learn some basic national accounting in order to understand how trade and finance interrelates. The section will end with a brief, but necessary, survey of exchange rates.

We will then proceed to apply the concepts we have learned into understanding how the world's trade has occurred throughout history. We will see that economic models are the basis, but that they alone are not enough to understand world's economic policy; theory needs a context. This section will provide a sketch of the technological and institutional context and of the political economy problems that have plagued nations throughout history.

Required Textbooks:

- Cowen, Tyler (2004) *Creative Destruction: How Globalization Is Changing the World's Cultures*, Princeton University Press.
- Findlay, Ronald, and Kevin O'Rourke (2007) *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*, Princeton University Press.
- McAfee, Preston, Tracy Lewis, and Donald Dale (2007) *Introduction to Economic Analysis*. [Free Online]
- Reinert, Kenneth (2012) *An Introduction to International Economics: New Perspectives on the World Economy*, Cambridge University Press, 2nd ed.

Other Required Texts: (Available Online)

- Nye, John (1991) "The Myth of Free-Trade Britain and Fortress France: Tariffs and Trade in the Nineteenth Century" *The Journal of Economic History*, 51 (1): 23 - 46.
- O'Rourke, Kevin, and Jeffrey Williamson (2002) "When Did Globalisation Begin?" *European Review of Economic History*, 6 (1): 23 - 50.
- O'Rourke, Kevin, and Jeffrey Williamson (2004) "Once More: When Did Globalisation Begin?" *European Review of Economic History*, (1): 109 - 117.
- Read, Leonard (1958) *I, Pencil*, Foundation for Economic Education.

Table 1: Grading Scale (As Percentage)

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|-----|--------|----|-------|----|-------|
| A + | 100-97 | B | 86-83 | C- | 72-70 |
| A | 96-93 | B- | 82-80 | D | 69-60 |
| A - | 92-90 | C+ | 79-77 | F | 59-0 |
| B + | 89-87 | C | 76-73 | | |

Grading Policy:

- Quizzes (10%)
- Midterm (25%)
- Final Exam (40%)
- Paper (25%)

Assignments:

- *Quizzes:* There will be up to four small quizzes in the semester; they will be applied at random dates. The goal is both to incentivize attendance and to survey your understanding of the material.
- *Paper:* Students are required to write a short term paper answering the question of “How Globalization changes the world’s cultures?” The student is required to read Cowen (2004) and use it as basis of the discussion - he should also use material from the rest of the course’s required texts. Note that I do NOT want a book report, the point of the assignment is to dwell on the interrelationship between economy and culture - its causes and its effects. I will grade you on the pertinence of your answer to the above mentioned question as well on how you support your arguments. The specific of the assignment is as follows:
 1. Papers must be typed, double-spaced, Times New Roman, 12 point font, 1 inch margins.
 2. Paper length should be of minimum four pages and maximum of six.
 3. Pages must be numbered. The number of pages begins on the page after the title page.
 4. Include a title page (no numbering), with a title for your paper that states the main point or main issue of your paper. (Don’t call it: “385 Term Paper”). The title page does not count as a page toward the length requirement.
 5. At the end of the paper provide a list of referenced works, alphabetical by last name. A page with references does not count as a page toward the length requirement. In the paper use the citation format of the following example: ... greater availability of heroin led to an increase in usage (Wilson 1990, 25). The number 25 means page 25.
 6. Avoid “we”. You are an “I”, not a we.
 7. I require a physical copy of the paper - I will not grade your paper if you send it by e-mail.
 8. The paper is to be submitted the last day of class, December 8.

- *Exams:* The midterm exam will cover the theoretical part of the course; the Final Exam, however, will be comprehensive of all the topics studied in the semester. I do not give make up exams. If you fail to present the midterm and have a valid excuse for it, then your final exam will be 60% of your total grade.

Course Policies:

- *Course Expectations:* It is expected that all readings will be completed by the start of class and that you come to class ready to participate. In addition, this class requires familiarity with graphing and algebraic computations. If you find yourself struggling with the material at any time, please make an appointment to talk with me as soon as possible.
- *Class Attendance and Participation:* Attendance and class participation are encouraged but they are NOT mandatory for grading purposes. I acknowledge that we all are rational individuals capable of making responsible decisions about what is best for us.
- *Electronic Devices:* Regarding electronic devices (such as laptops, cell phones, etc.), please be respectful of your peers and your instructor and do not engage in activities that are unrelated to class. Such disruptions show a lack of professionalism. If disruptions are interrupting other students learning, you may be asked to leave the classroom.
- *Communication:* Students must use their MasonLive email account to receive important University information, including messages related to this class. See <http://masonlive.gmu.edu> for more information.
- *Honor Code:* George Mason University has an Honor Code which requires all members of this community to maintain the highest standards of academic honesty and integrity. Cheating, plagiarism, lying, and stealing are all prohibited. All violations of the Honor Code will be reported to the Honor Committee. See honorcode.gmu.edu for more detailed information.
- *Important Information:* No person should be denied educational access because of a disability. If you are a student with a disability and you need academic accommodations, please see me and contact the Office of Disability Services (ODS) at 993-2474, <http://ods.gmu.edu>. All academic accommodations must be arranged through the ODS.

Tentative Schedule:

| Date | Topic | Readings |
|--------------|---|---------------------------------------|
| August 30 | Syllabus, Introduction | |
| September 1 | Economics, what for? | McCafee Ch1, Reinert Ch1, Read (1958) |
| September 6 | Demand and Consumer Surplus / Supply and Profit | McCafee pp 13-20 |
| September 8 | Market Equilibrium and changes in Supply and Demand | McCafee pp. 22-26, Reinert pp. 84-86 |
| September 13 | Comparative Advantage | McCafee Ch6, Reinert Ch3, Cowen Ch1* |

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| September 15 | Comparative Advantage | McCafee Ch6, Reinert Ch3 |
| September 20 | Trade Policy Analysis 1 | Reinert Ch5 |
| September 22 | Trade Policy Analysis 2 | Reinert Ch6 |
| September 27 | Trade Policy Analysis 3 | Reinert Ch6, Cowen Ch2* |
| September 29 | NO CLASS | |
| October 4 | National Accounts | Reinert Ch13 |
| October 6 | National Accounts | Reinert Ch13 |
| October 11 | NO CLASS | |
| October 13 | Exchange Rates 1 | Reinert Ch14, Cowen Ch3* |
| October 18 | Exchange Rates 2 | Reinert Ch14 |
| October 20 | MIDTERM EXAM | |
| October 25 | Globalization in Historical Perspective | O'Rourke & Williamson (2002,2004) |
| October 27 | The Spanish and Portuguese Trade in the 16-17th Century | Findley & O'Rourke pp. 143-175 |
| November 1 | New World Silver and its impact in the Old World | Findley & O'Rourke pp. 212-226, Cowen Ch4 |
| November 3 | Mercantilism and the Trade Wars between England and its Rivals | Findley & O'Rourke pp. 227-261 |
| November 8 | The Industrial Revolution | Findley & O'Rourke pp. 311-324 |
| November 10 | Trade during the Industrial Revolution | Findley & O'Rourke pp. 324-345, Nye(1991) |
| November 15 | Trade during the Industrial Revolution | Findley & O'Rourke pp. 324-345, Nye(1991), Cowen Ch5* |
| November 17 | The First Globalization | Findley & O'Rourke pp. 387-428 |
| November 22 | The First Globalization | Findley & O'Rourke pp. 387-428 |
| November 24 | NO CLASS | |

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| November 29 | Deglobalization in the Interwar Period | Findley & O'Rourke pp. 429-472, Cowen Ch6* |
| December 1 | Deglobalization in the Interwar Period | Findley & O'Rourke pp. 429-472 |
| December 6 | Reglobalization after WW2 | Findley & O'Rourke pp. 473-526 |
| December 8 | Reglobalization after WW2 | Findley & O'Rourke pp. 473-526 |

* Cowen(2014) is a small book, but you should read it throughout the semester instead of leaving it to the last days. To incentivize that you comply, the quizzes could contain questions about the book. The schedule contains the deadline to reach each chapter. After the deadline has passed I consider fair game to ask about it in any given quiz.