

International Economic Policy

ECON 385.002 (Fall 2017)

Tues/Thurs 3pm to 4:15

276 Enterprise Hall

Instructor: Jay Cochran, PhD

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Description: Since this course is aimed primarily at non-economics majors, it (re)introduces the economic way of thinking on trade and questions of international policy. The course has 3 parts: the first section reviews the fundamentals of economic analysis and trade; the second part looks at long-run economic growth from an international perspective, and the third part covers topics in international trade.

Prerequisites: Passing grades in Principles of Economics (ECON 103 and 104, Micro and Macro) Course may not be applied toward the elective course requirement needed for a major or minor in economics, and may not be repeated for credit.

Text: Don Boudreaux (2008), "Why People Trade," *Globalization*, Westport, CT: Greenwood Press [ISBN: 978-0-313-34213-4] Other articles and videos used during the semester, linked below and on the course website.

Grading: Grades are based on the best (2 of 3) homework assignments, (2) in-term exams, and (1) final exam (given at the time listed in the Schedule of Classes). These are weighted toward your final grade as follows:

(2) Best 2-of-3 Homework Assignments (5% each)	10%
(2) In-Term Exams (30% each)	60%
Final Exam	30%

Homework: The homework assignments are designed to help you understand and apply the important concepts of the course. You may work in groups to solve the homework, but each student must turn in his or her own copy of the assignment to receive credit. Homework is due at the beginning of the class indicated on the syllabus/assignment posting. Late submissions lose one letter grade per calendar day (or fraction) late. If I have to print your assignment, you are imposing a cost on me for which there is a one letter grade penalty each time you choose to impose this cost. If you turn in all three homework assignments, the best two scores count toward your regular grade as indicated above, while the third (lowest homework score) counts as extra credit.

Exams: Exams typically include true/false, multiple choice, and problems/short-answer, and will be based on the assignments and class lectures. You'll need a Scantron answer sheet, a calculator, and pencil for each exam. There are no make-up exams.

Disability Resource Center: If you are a student with a disability who needs academic accommodation, contact the Office of Disability Services at 703.993.2474 or <http://ods.gmu.edu>. Any accommodations must be arranged in advance through that office.

Attendance: Attendance is not mandatory (meaning, I do not take attendance); however, as an adult, you know you'll do better if you attend class regularly. In addition, some material in class is either not covered or treated differently in the assigned material. For more tips on semester success, click the "Tips" link on the course webpage.

Honor Code: Students are expected to know, understand, and follow the George Mason University Honor Code. Video and/or audio recording of class lectures is NOT permitted.

Projected Semester Outline & **Important Dates

Part I: Micro Foundations: Production, Prices, Specialization, and Trade

8/29—9/28

Goods & Bads; Preferences & Assumptions

Carl Menger (1871), *Principles of Economics*, "The General Theory of the Good," pp. 51-76.

http://mises.org/sites/default/files/Principles%20of%20Economics_5.pdf

Whose labor is it anyway? <http://cafehayek.com/2012/01/a-note-on-the-burden-of-public-debt-question.html>

Price Theory, Comparative Statics, & Policy Incidence

Henry Hazlitt (1946 [2008]), *Economics in One Lesson*, "How the Price System Works," pp. 89-96.

<https://mises.org/library/economics-one-lesson>

What Do Prices "Know" That You Don't? <https://www.youtube.com/watch?v=WPY-QKXofQs>

How Well Does the Equilibrium Model Work? https://www.youtube.com/watch?v=1PP85wxHROg&list=PL-uRhZ_p-BM4ajpQvdU_AVUxYL3m6RvkU&index=10

Production, Specialization, & Trade

How It's Made: Potato Chips,

<https://www.youtube.com/watch?v=lb4CHms5De0&index=20&list=PLUaWO8wwqHQkypkBmEA8TCyAgoEuj5YVX>

"I Pencil," Leonard Reed (video) <https://www.youtube.com/watch?v=IYO3tOgDISE>

Don Boudreaux (2008), "Why People Trade," *Globalization*, Westport, CT: Greenwood Press, pp. 37-50.

"The Real Adam Smith: Ideas That Changed the World," [56 min. video]

<https://www.youtube.com/watch?v=8ruiUOQERnw>

****Homework Assignment #1** Due, Thursday 9/21/2017

Complexity, Coordination, & Order

Frederic Hayek (1945), "The Use of Knowledge in Society," *American Economic Review*

http://www.kysq.org/docs/Hayek_45.pdf

In-Term EXAM #1 September 28, 2017

**** Last Day to Drop**, Friday 9/29/2017

Part II: Macro Foundations: Very Long-Run (Secular) Growth

10/3—11/2

What is Secular Growth and why does it Matter?

Don Boudreaux (2008), "Globalization and Material Prosperity," *Globalization*, Westport, CT: Greenwood Press, pp. 15-36.

Gapminder Bubble Charts (income vs. life expectancy): http://www.gapminder.org/tools/#_locale_id=en;&chart-type=bubbles (how countries' performances vary over time)

Growth in Wealth over the last 100 Years, <http://cafehayek.com/2016/02/40405.html>

****Tuesday Classes do not meet**, 10/10/2017

Levels, Persistence, & Convergence (Tools & People, Ideas & Institutions)

Geography of Trade <https://www.mruniversity.com/courses/development-economics/geography-and-development-trade>

Diseases and Economic Growth <https://www.mruniversity.com/courses/development-economics/geography-and-development-disease>

Growth Miracles & Growth Disasters https://www.youtube.com/watch?v=5X5v7vRYQic&index=11&list=PL-uRhZ_p-BM6K5f7j5H4pfvPoSFoAN4L

Importance of Institutions https://www.youtube.com/watch?v=wdKBfXRpNsk&index=4&list=PL-uRhZ_p-BM6K5f7j5H4pfvPoSFoAN4L

Property Rights <https://www.mruniversity.com/courses/development-economics/property-rights-1-private-v-collective>

Don Boudreaux (2008), "The Institutions of Globalization," *Globalization*, Westport, CT: Greenwood Press, pp. 117-138.

Economic Growth and the Environment, the Kuznets Curve <http://cafehayek.com/2015/11/economic-growth-and-pollution-abatement.html>

****Homework Assignment #2**, Due Thursday 10/26/2017

In-Term EXAM #2 November 2, 2017

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Part III: International Trade & Trade Policy

11/7—12/7

Basics of International Trade

"Comparative Advantage": <http://www.econlib.org/library/Topics/Details/comparativeadvantage.html>

"Comparative Advantage" (video): <http://www.mruniversity.com/courses/developmenteconomics/comparative-advantage>

International Trade Data, US Department of Commerce https://bea.gov/iTable/index_ita.cfm

Don Boudreaux (2008), "The Balance of Trade and Trade Deficits," *Globalization*, Westport, CT: Greenwood Press, pp. 99-116.

Douglas Irwin, "A Brief History of International Trade Policy"

<http://www.econlib.org/library/Columns/Irwintrade.html>

Development and Trade: Empirical Evidence (video): <http://www.mruniversity.com/courses/development-economics/development-and-trade-empiricalevidence>

"Balance of Payments" by Herbert Stein <http://www.econlib.org/library/Enc/BalanceofPayments.html>

Exchange Rates

Foreign Exchange: <http://www.econlib.org/library/Enc/ForeignExchange.html>

"Are Devaluations Contractionary" (video): <http://www.mruniversity.com/courses/internationalfinance/are-devaluations-contractionary>

"Long Swings in Exchange Rates" (video): <http://www.mruniversity.com/courses/internationalfinance/long-swings-exchange-rates>

"Real and Nominal Interest Rates" (video): <http://www.mruniversity.com/courses/internationalfinance/real-and-nominal-exchange-rates>

"Speculative Attacks" (video): <http://www.mruniversity.com/courses/international-finance/speculativeattacks>

****Thanksgiving Break**, Wednesday 11/22/2017 through Sunday 11/26/2017

Immigration, Globalization, and Wages (Cost of Labor)

Don Boudreaux (2008), "Globalization: Yesterday and Today," *Globalization*, Westport, CT: Greenwood Press, pp. 1-14.

"Basic Facts About Migration" (video): <http://www.mruniversity.com/courses/developmenteconomics/basic-facts-about-migration>

"Wage Gains from Immigration" (video): <http://www.mruniversity.com/courses/developmenteconomics/wage-gains-immigration>

Don Boudreaux (2008), "Trade, Jobs, and Wages," *Globalization*, Westport, CT: Greenwood Press, pp. 51-68.

"Is There a Brain Drain?" (video): <http://www.mruniversity.com/courses/developmenteconomics/there-brain-drain>

Lifting People Out of Poverty: <http://cafehayek.com/2016/10/chris-coyne-on-the-best-way-to-lift-people-out-of-poverty.html>

Don Boudreaux (2008), "Alleged Exceptions to the Case of Free Trade," *Globalization*, Westport, CT: Greenwood Press, pp. 69-98.

****Homework Assignment #3**, Due Tuesday December 5, 2017

FINAL EXAM December 14, 2017 1:30 pm to 4:15pm [Note! Earlier Start Time]