

Syllabus

ECON 385 KD1 International Economic Policy by Video Conferencing Fall 2019

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I. Objective of the Course (preliminary, may change some)

Today trade is first of all in *ideas*, which are traded, shared or copied between people, companies and universities in the nations of the world. These inventions—technical, business or other—are used to create the product and service innovations that make up most of the value of physical cross-border trade.

However, theory has taken the starting point in the *physical* movement of goods, a kind of “fetish” approach, a “thing in possession”, but today, when manufacturing takes place in global value chains, 3D printing reduces such movements to a quick download, product are “designed in A” and “manufactured in B” and services dominate economic activity, traditional international economic approaches needs rethinking. Intangible asset represents perhaps 85% of market value today for firms (and economies) shifting the focus to a “thing in action”.

This class is a first “primer” to understand this new game. The economics of international economics can be divided into two fields: *international trade* and *international money* (finance). It will introduce the basic concepts *why* we trade between nations both goods and increasingly services, but also trade in ideas the *human capital* turned directly into tradable assets through intellectual property rights like patents, design and copyrights. This “new” trade increasingly drives the location of invention, innovation, manufacturing and services, thus impacting immigration (labor markets), education systems, finance and international economic policy.

The course has no prerequisites in economics, so we will start with “Econ 101” and then quickly move to trade in ideas, goods and services, finishing with exchange rates (money, finance, international aid) and open-economy macroeconomics (what happens to trade with global specialization), leading to a discussion on policy.

The course will be exemplified by current events and tentative participation from trade practitioners from international organizations like WTO.

After the class you will be able to better analyze economic policy and its relation and impact on trade and finance perhaps thinking up new policies for your country and businesses as well.

This course will be taught in a classroom but over interactive video. In addition, students can access the class off-campus (PC/Mac/smartphone). This will allow you to participate in the class more freely and also listen to the recorded lessons for reviews. A presentation via recorded video will also be a feature (using Blackboard tools) to get feedback from peers on your selected topic for the compulsory paper, as well as other peer-based recordings.

The exam will include a take-home exam (no in-class exams), a term paper (key), short weekly writings and participation in frequent opportunities for class-discussions.

II. Prerequisite

No previous formal knowledge in economics is required, but helpful. An intro to supply & demand will be done.

III. Text Books and References

Required

- (1) Krugman, Obstfeld, Melitz, International Economics: Theory and Policy, Global Edition
https://www.amazon.com/dp/1292214872/ref=rdr_ext_tmb
- (2) Irwin, Douglas, Free Trade Under Fire, Fourth Edition, Princeton University Press
<https://www.amazon.com/Free-Trade-under-Fire-Fourth/dp/0691166250>
- (3) List of articles, see lessons below

References for additional readings of interest

- (1) Mankiw, Gregory, Economic Principles, 8th Edition,
https://www.amazon.com/dp/1305585127/ref=rdr_ext_sb_ti_hist_1
- (2) IMF, World Economic Outlook (report)

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IV. Evaluation Criteria and Exam Schedules (preliminary)

In preparation **for each class**, please read/watch the material under each lesson. Then write **max ½ page** on *why* it matters for international economic policy, and upload to Blackboard under the lesson in question **the day prior to the lesson**. This is in preparation for class discussions (it is also helpful to keep up with the reading!).

The final grade is weighted average of: **Term paper** on specific subject including a shorter presentation by recorded video (see separate instructions on Blackboard): 25%, **weekly writings** 10% (80% or 11 of the 14 writings must be completed), **class participation** 5% (frequent interactions) then **mid-term exam**: 30% (no letter grade, **take home**) and **final exam**: 30% (may include some midterm material, **take home**).

V. Course Outline (subject to minor revisions, as needed)

I. Introduction: Trade and Money: What is international economics about?

A transition from things in possession (goods) to things in action (services, ideas) calls for new theories and policies

1. International economic policy: Ideas, services and goods: 8/27

History; ideas, goods, services; The gains from trade; Pattern of trade; How much trade; Balance of Payments; Exchange rate determination; International policy coordination; The international capital market; The international technology market

2. Economic Principles: 9/3 (possibly also 9/10)

Trade-offs; opportunity cost; decisions on the margin; incentives; gains from trade; markets; can governments improve outcomes?; producing goods, services and ideas; supply of money; inflation and unemployment

3. Supply and demand and other basic economic and humanomics concepts (reserve time for 9/10)

Supply and demand, (Haavelmo 1974); (V. Smith 2019); Human nature in economics (V. Smith 2004)
Labor markets; Markets in ideas (human capital formation and trade based on intellectual property rights).
Work of hands and works of minds: inventions; R&D; innovations and entrepreneurship,

II. Trade in ideas, good, services

International trade theory

4. Overview and Comparative Advantage: 9/10 (possibly 9/17)

Ch 2: World Trade in ideas, goods and services – an overview
Ch 3: The Ricardian Model: Labor productivity and comparative advantage

5. More models: 9/17

Ch 4: Specific factors model, production possibilities, and gains from trade
Ch 5: Resources and Trade: The Heckscher-Ohlin model

6. Firms in the global economy: 9/24

Ch6: The Standard Trade Model
Ch7: Economies of scale and International Trade: international location of production

7. Trade in ideas: Trade in IP and Trade-related aspects of IP to goods and services: 10/1

Ch8: Firms in the global economy: export decisions, MNC
Ullberg, research and WTO material

MIDTERM: 10/4 (prelim due date)

Break. No class: 10/8

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International trade policy

7. Political economy: 10/15

Ch9: The instruments of trade policy

Ch10: The Political economy of trade policy

8. Developing nations & inequality: 10/22

Ch11: Trade policy in developing countries

Ch12: Controversies in trade policy

III. Money: Exchange rates and policy

Exchange rates and open-economy macroeconomics

9. Balance of payment and exchange rates: 10/29

Ch13: National income and balance of payments (current account, etc)

10. Foreign exchange: 11/5

Ch14: Asset market approach for foreign exchange.

11. Exchange rate determination and monetary policy: 11/12

Ch15: Money, interest rates and exchange rates (Fisher)

Ch16-17: Price levels and the exchange rates in the short and long run (J-curve)

Ch 18: Fixed exchange rates and foreign exchange rate intervention (monetary policy)

International macroeconomic policy

12. Monetary systems: 11/19

Ch19: International monetary systems

Ch20-21: Optimum currency areas

13. Developing countries: growth crisis and reform: 11/26

Irwin Ch6: Developing countries and open markets.

Ch22: Developing Countries: Growth, Risk, Reform

14. Kissinger, World Order (extract): 12/3

Preparing for the final exam.

FINAL EXAM—Final exam will focus on issues after midterm. Post on Blackboard by 12/17?

VI. Office Hours

Before and after class by video, or on Skype by appointment.

VII: Class Policy

1. Students who need to miss several classes or more should not attempt to take this course.
2. No make-up exams but instead weight shifted to the other exams if legitimate conflicts (i.e. work, illness), no exam prior to the official schedule, no final exam after 60 minutes, no electronic device for exam, and no solicitation for a grade.

VIII. University Policy

Relevant campus policies and resources for students include: Academic integrity (the Honor Code), GMU email accounts to activate, the Writing Center, University Libraries, Counseling and psychological Services (CAPS), and Office of Disability Services (ODS). For information in detail, see the University Catalog (catalog.gju.edu) or contact the instructor.

/EU, 08/22/2019