

# ECONOMICS 385 International Economic Policy

## Summer 2016

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**Location:** Planetary 120

**Days and Time:** Wed. 720-10pm

**Instructor:** Eric Hammer

**Email:** ehammer@gmu.edu

**Office Hours:** Wednesday 5-7pm, Mason Hall Second Floor (number tbd), and by appointment

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**Objectives:** This class will focus on the economics of international trade and develop an understanding of the effects of trade on countries and policy on trade. We will examine various policy issues through the economic way of thinking to gain a better understanding of contemporary policy issues such as trade, globalization, foreign aid and inequality. Economic concepts that illuminate these policies will be taught as tools for understanding the world and the nations in it better.

No college level math is required, but this class will involve a fair bit of reading and writing, as well as in class discussion. The readings will help to illuminate the topics covered in lectures as well as give differing perspectives and insights into the issues.

**Course Materials:** Four books are required for this course, all available relatively inexpensively or free. The bookstore will carry all of them, in case Amazon does not have a reasonable price.

- Matt Ridley [The Rational Optimist: How Prosperity Evolves](#)
- Henry Hazlitt [Economics in One Lesson](#)
- Paul Krugman [Pop Internationalism](#)

I would also recommend the Liberty Fund printing of the Glasgow Edition of Adam Smith's [The Wealth of Nations](#) for any students interested in economics and trade policy. Although NOT REQUIRED for class, I will be referencing Smith frequently, and his insights are still applicable today. The Wealth of Nations is also available free online at econlib.org.

Further readings will be from articles or essays relating to a topic, either provided in class or free online.

**Important Dates:**

First Day of Class: August 29

Last Day to Drop: September 6

Thanksgiving break: November 23

Midterm: October 12

Final Exam: December 14

**Grading:** There will be two exams for the course: one 80 minute midterm and one comprehensive final. There will also be homework assignments every class, 12 in total. The grade breakdown is as follows:

- Midterm: 25%
- Final: 35%
- Homework: 40%

**Homework:** There will be homework every class, to be handed in as a **typed hardcopy** the next class; no late homework will be accepted. Homework will consist of 5-10 questions based on the lectures, and/or a short review and comments on the reading (His Point/My Point) where students will choose two arguments from the reading and write their reactions to the author. The questions will be very similar to the exam questions, so if you can comfortably answer them you are likely in good shape for the exam.

The homework will be graded at 10 points per assignment, out of 100; to get full points you must complete and hand in at least 10 assignments, and extra assignments will enhance your grade. There is a very high correlation between the amount of time spent on homework and exam grades in my experience, and so I encourage students to do every homework assignment.

**Reminder:** Homework is due the next class after it is assigned; if a student cannot make it to class that day it is acceptable to email a typed copy (please, no cell phone photos of hand written homework) to me before class begins (7:20pm). All homework must be typed.

**Exams:** The exams will consist of multiple choice questions relating to the concepts and materials covered in lecture, as well as an essay portion that requires the students to apply the concepts to a new situation described in the question. Topics covered will be limited to what is covered in lecture and in the homework.

## **Lecture Schedule and Readings**

**Readings.** Most readings are from the required text books, although some will be from articles provided in class or free online, or certain interviews and podcasts; most of the latter half of the class will involve such readings. Readings may be added or moved based on the progress of the class. Each week will cover a certain theme of international trade, and so readings may be spread out over the course of the week as convenient to the student; the readings for a specific class period are those most relevant to that class' subject but not critical to have read ahead of time. Reading the text is not a substitute for coming to class, but perhaps a valuable supplement. (A complimentary good, if you will.) I will inform you at the end of every class what the next class's topics will be, as well as the relevant readings. The following list is a tentative schedule of topics if you want to read ahead:

### **Economics, Markets and Innovation**

**8/31** - Introduction & Syllabus, Costs and Benefits of Trade, and the Economic Way of Thinking

Readings: Hazlitt Ch1 (The Lesson) and Ch 15, Ridley Ch 1

**9/7**– Markets and How They Work: Supply & Demand, Price Floors, Price Ceilings, Profit and Loss System, Creative Destruction, and Knowledge Problems

Readings: Hazlitt Ch 11 12 14, Hayek (Use of Knowledge in Society)

**9/14**– Size Matters: Population, Immigration, Trade and Innovation

Readings: Ridley Ch 5, Krugman Ch 8

### **Trade Between Nation States**

**9/21** – Trade Between Rich and Rich: Opportunity Costs, Free Trade, Tariffs, Quotas

Readings: Krugman Ch 3 5 6

**9/28** - Trade Between Rich and Poor: Sweatshops, Opportunity Costs, Free Trade, Tariffs, Quotas

Readings: Ridley Ch 2 7, Krugman Ch 4

**10/5** – Who Do We Trade With? Trade Barriers and Difficulties, Trading Partners, and the Balance of Trade; Review for Exam 1

## **Government and the Market**

**10/12 – Exam 1** first half of class., Second half: Why are Some Countries Poor? Foreign Aid, Development Planning, Developing Nations

**10/19** – Public Choice, Democracy, Voting, Concentrated Benefits & Dispersed Costs

Readings: Mostly lecture; catch up on previous readings

## **Issues Unique to International Trade**

**10/26** - Global Financial Markets, Current Financial Crises, Regime Uncertainty

**11/2** - War, Terrorism, Exporting Democracy, Polycentrism

**11/9** - Capitalism and Socialism

## **Softer Side of Trade**

**11/16** - Trade and Culture

Readings: Ridley Ch 3

**11/23 – NO CLASS**

**12/7** – Review for Final Exam

**12/14 – Final Exam**

**GRADING SCALE:** I use a ten-point scale. 90-100: A; 80-89, B; 70-79, C; 60-69, D. Below 60 is an F. These numbers are firm. If the weighted average of your three exam grades is 89, you will have earned a B for the course – not an A. Please do not ask me to raise your grade. I never grant such requests. I am not in the business of giving grades: I merely report the grade that you earn.

## **ACADEMIC INTEGRITY**

GMU is an Honor Code university; please see the University Catalog for a full description of the code and the honor committee process. The principle of academic integrity is taken very seriously and violations are treated gravely. What does academic integrity mean in this course? Essentially this: when you are responsible for a task, you will perform that task. When you rely on someone else's work in an aspect of the performance of that task, you will give full credit in the proper, accepted form. Another aspect of academic integrity is the free play of ideas. Vigorous discussion and debate are encouraged in this course, with the firm expectation that all aspects of the class will be conducted with civility and respect for differing ideas, perspectives, and traditions. When in doubt (of any kind) please ask for guidance and clarification.

## **GMU EMAIL ACCOUNTS**

Students must use their Mason email accounts—either the existing "MEMO" system or a new "MASONLIVE" account to receive important University information, including messages related to this class. See <http://masonlive.gmu.edu> for more information.

#### **OFFICE OF DISABILITY SERVICES**

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. All academic accommodations must be arranged through the ODS. <http://ods.gmu.edu>

#### **OTHER USEFUL CAMPUS RESOURCES:**

**WRITING CENTER:** A114 Robinson Hall; (703) 993-1200; <http://writingcenter.gmu.edu>

#### **UNIVERSITY LIBRARIES "Ask a Librarian"**

<http://library.gmu.edu/mudge/B4/1MRefhtml>

#### **COUNSELING AND PSYCHOLOGICAL SERVICES (CAPS): (703) 993-2380;**

<http://caps.gmu.edu>