

Syllabus Spring 2013

International Economic Policy ECON 385 - 002



Instructor	Lotta Moberg
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Classroom	Sandbridge Hall 107
Classes	Tuesday, Thursday, 1:30-2:45 pm
Office Hours	By appointment

Description

This course is designed for students interested in international affairs and policies to apply the economic way of thinking in the analyses in their fields. We will discuss economic principles, basic models, and pitfall in economic thinking to avoid. This understanding of economics will then allow us to analyze trade. We will study the importance of trade, the principles of which are identical on the local and international level, and international trade policies. We will also apply the economic way of thinking on economic development. The development unit will cover some of the history of development economics and policies such as foreign aid. The goal is to gain a deeper understanding of these issues to draw conclusions about what international policies can accomplish their policy objectives. While this may seem straightforward, it is not always easy to see when policies will instead engender unintended consequences and adverse incentives.

Required Readings:

1. Dominick Salvatore, 2012. Introduction to International Economics, 3rd ed. Hoboken, NJ: John Wiley & Sons, Inc. ISBN-10: 0470934891, ISBN-13: 978-0470934890. (DS)
2. William Easterly, 2002. The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics. Cambridge, MA and London, England: The MIT Press. (WE)
3. Further readings will be posted on Blackboard. There, for each unit you will find a document with a list of the readings as well as links and downloadable articles and papers.

The two required books are very different. Easterly (2002), abbreviated WE, will provide us with the majority of the reading material for the unit on development. It is both an informative and highly enjoyable read. Salvatore (2012), abbreviated DS, is of the textbook format, and chosen as it provides us with the trade models that we need, as well as writing on trade balance, exchange rates and other topics in international economics. We will cover the majority of chapters in DS, but I will likely give further instructions of what parts of the chapter are actually required reading.

Examinations

We will have two midterm exams and a final exam. You will be given one hour to write the midterm exams and two and a half hours for the final exam.

Quizzes

There will be five unannounced quizzes on Tuesdays throughout the semester. They will cover the readings and other material from the last two weeks. At the end of the semester, your lowest quiz result (zero if you missed it) will be deleted, such that the remaining four results are each worth 5%, together constituting 20% of your final grade. The quizzes will take 20 minutes and be handled out in the beginning of class. If you are late for the quiz you will not be given extra time.

Grading

Midterm 1 – 20%

Midterm 2 – 20%

Final exam – 35%

Tuesday quizzes – 20%

Participation – 5%

Grading is not done on a curve – you will not lose out if your class-mates do very well and you will not be better off by others' failures. With hard work and cooperation, you can all earn high scores.

Attendance and participation

Attending lectures will be crucial for your success in this course. Not least if you want to attend the quizzes. Class attendance is not mandatory but you should notify me if you have any reasons for not attending regularly. I may ask you to show student identification when taking the exams if you have not attended class regularly. Any bad and disruptive behavior will render an F-grade and exclusion from any further attendance. If you miss an exam, the score for that exam will be counted as a zero. The only good reasons for missing an exam are health related problems and death in the family, in which case the share of your grade for the exam can be postponed to the final (e.g., if you miss a midterm, the final exam can constitute 55% of your grade).

I encourage you to participate in the class by asking questions about points in the reading that you do not understand or have an opinion about. The best way to prepare for classes as well as study for the exams is to do the reading at home, and then meet up with a couple of your classmates and discuss the texts. What are the important points? How do the models work? What is unclear? How are economic principles applied or not by the author? What are the implications for policies? These are the kind of things we will be discussing and which you will need to think about to prepare for the exams.

Honor Code

All students must respect the George Mason University Honor Code, which requires all members of the 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. More information can be found on: <http://academicintegrity.gmu.edu/honorcode>.

Practicalities

Class material and updates will be posted on Blackboard. I advise anyone unfamiliar with the system to log in before the beginning of the semester and familiarize yourself with it. Hurried announcements can also be sent out via e-mail. E-mails for class communication with enrolled students can only be sent to

your Mason e-mail accounts, so make sure to activate your account before the course begins. Do not forget to check your student account regularly.

You are responsible for verifying your enrollment. Schedule adjustments should be made by the deadlines published in the Schedule of Classes; see registrar.gmu.edu. Last day to add or drop the class without any tuition charge is January 29th. Last day to drop the class with a 33 % tuition payment is February 12th and with a 67 % payment February 22nd. After the last day to drop a class, withdrawing from this class requires the approval of the dean and is only allowed for nonacademic reasons. Undergraduate students may choose to exercise a selective withdrawal between February 25th and March 29th.

If you have a disability, please come and see me so that we can arrange for any assistance you might need to attend the class. If you will need academic accommodations, you will need to contact the Office of Disability Resources at 703-993-2474, through which all academic accommodations must be arranged.

Important dates

Midterm 1 – Tuesday, March 5th

Midterm 2 – Tuesday, April 16th

Final exam – Tuesday, May 14th

Below is a summary of the readings from the required texts. Additional required material, like articles, blog posts etc. will be posted on Blackboard. Further reading instructions will also follow, as some of the chapters in DS will only be partially covered.

Units	Topics	Dates	Book Readings
Unit 1: Principles, models and mental maps.	Mental models of the world. Models: Supply and demand Production Trade frameworks Economic principles: Incentives. Institutions. Trade-offs. Marginal thinking. Trade. Economic pitfalls: Ceteris paribus. Intentions v outcomes Association v causation Fallacy of composition	Jan. 22 nd Jan. 24 th Jan. 29 th Jan. 31 st Feb. 5 th	DS: CH. 1

	Guest Lecture: Steven J Entin: “The Economics of Taxation and the Issue of Tax Reform”	Feb. 7 th	
Unit 2: Trade, economic integration	Gains from trade: Specialization and division of labor Comparative advantage. Trade barriers: Tariffs. Subsidies. Welfare costs. Trade balance: Trade deficit and surplus. Unilateral trade deficit. Policies to change the TB.	Feb. 12 th Feb. 14 th Feb. 19 th Feb. 21 st Feb. 26 th Feb. 28 th	DS: CH. 2 DS: CH. 3 DS: CH. 5 DS: CH. 6
Unit 3: Economic Development	Poverty and growth: Stylized facts. Cheap labor. Trade and growth. Growth theories and models: Harrod-Domar and Solow models. Capital and investments. Foreign aid. Education and ideas. Institutions. Policies for development: In developing countries. Can we help?	Mar. 7 th Mar. 12 th Mar. 14 th Mar. 19 th Mar. 21 st Mar. 26 th Mar. 28 th Apr. 2 nd Apr. 4 th Apr. 9 th Apr. 11 th	DS: CH. 8 WE: CH. 1 WE: CH. 2 WE: CH. 3 WE: CH. 4 WE: CH. 5 WE: CH. 11 WE: CH. 12 WE: CH. 13
Unit 4: International policies and institutions	Debt relief. International organizations. Monetary policy. Immigration policy. (Reserve time)	Apr. 18 th Apr. 23 rd Apr. 25 th Apr. 30 th May 2 nd May 7 th May 9 th	DS: CH. 7 DS: CH. 11 DS: CH. 12 DS: CH. 15 WE: CH. 6 WE: CH. 7

Unit 1 Topics	Dates	Book Readings	Readings
<p>Introduction. Mental models of the world.</p> <p>Models: Supply and demand Production</p> <p>Trade frameworks</p> <p>Economic principles: Incentives. Institutions. Trade-offs. Marginal thinking. Trade.</p> <p>Economic pitfalls: Ceteris paribus. Intentions v outcomes Association v causation Fallacy of composition Nirvana fallacy</p> <p>Guest Lecture: Steven J. Entin, Senior fellow at the Tax Foundation: "The Economics of Taxation and the Issue of Tax Reform"</p>	<p>Jan. 22nd</p> <p>Jan. 24th Jan. 29th</p> <p>Jan. 31st</p> <p>Feb. 5th</p> <p>Feb. 7th</p>	<p>DS: CH. 1: Not section 1.6.</p>	<p>The Economist: Has the ideas machine broken down?</p> <p>Roberts 2004 Applications of Supply and Demand</p> <p>Sowell 2004 Basic Economics: Chapters: 2: The Role of Prices, 3: Price Controls, 6: The Role of Profits And Losses</p> <p>Roberts 2006 Incentives Matter</p> <p>Roberts 2007 Getting the Most Out of Life</p> <p>Rhoads 2008 Marginalism</p> <p>Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations: I.1. Of the Division of Labor I.2. Of the Principle which gives Occasion to the Division of Labour I.3. That the Division of Labour is Limited by the Extent of the Market</p> <p>Sowell 2004 Basic Economics: Chapter: 22: Non-Economic Values</p> <p>Mitchell 2012 Pathology of Privilege</p>

