

## **International Economic Policy, ECON 385-003**

Tuesday 7:20pm-10:00pm Robinson Hall B203

**Instructor: Robert S. Cavender, Spring 2013**

Office Hours: Wednesday, 12:30pm-2:30pm, in Enterprise Hall 3rd Floor

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### **Course Introduction:**

The aim of this course is to help you understand international policy using the economic way of thinking. It does this by introducing you to critical economic principles and exploring different contemporary international policy applications in an intuitive way. A large part of thinking like an economist is looking for the unseen consequences in the long run, in addition to the immediately clear consequences. More generally, economics simply means thinking critically about human interaction. Course lectures, discussions, and readings will emphasize the role of market institutions in fostering international trade and in helping countries to develop, and will correspondingly explore the motivational, cognitive, and practical barriers faced by governments in the use of international policy.

### **Grading:**

Midterm	33%
Final Exam	33%
Quizzes	33%
Participation	1+%

### ***Grading Scale***

A 93-100; A- 90-92  
B+ 87-89; B 83-86; B- 80-82  
C+ 77-79; C 73-76; C- 70-72  
D+ 67-69; D 63-69; D- 60-62  
F <60

### ***Midterm/Final***

The midterm will be over the first section of class. It will come tentatively during the middle of the semester, and is scheduled after week 7, though is subject to change depending on how fast we get through the unit. The final exam will be over the second section of class only and so will not be comprehensive. It is scheduled during the corresponding final exam date, which is specified by the university. The exact date will be announced in class. There are no planned make-up exams. Exceptions will only be made in extreme circumstances.

### ***Quizzes***

Every Monday (except for the first week) we will begin class with a short, written quiz over the lectures from the previous week and the reading assigned over the weekend. The quizzes are designed to encourage students to be able to apply lessons from the lecture and readings and thus

to encourage you to pay attention and do the readings. Students who fail to attend class the day of will receive a grade of zero for the quiz. However, your lowest quiz score will be dropped.

### ***Participation***

Participation is strongly encouraged. I expect students to come to class prepared to learn and think about the topics critically, and I believe discussion is an excellent way to practice applying oneself when dealing with economic issues. As such I will be asking questions of the class from time to time, and encourage you to do the same of me during lectures. While attendance is not strictly required, it is conducive to your performance in the course.

### ***Extra Credit***

No extra credit is currently scheduled to be available.

## **Textbooks and Readings:**

### ***Required***

Easterly, William. *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*. Published by The MIT Press.

### ***Supplemental Readings***

Throughout the entire semester I will be assigning various weekend readings. These will be posted to Blackboard each week and will also be required.

### ***Recommended Readings***

Sowell, Thomas. *Basic Economics: A Common Sense Guide to the Economy* and *Applied Economics: Thinking Beyond Stage One*. Both published by Basic Books. Any edition.

Cafe Hayek, a blog by Donald Boudreaux and Russell Roberts. <http://cafehayek.com/>

Coordination Problem, a blog by Chris Coyne, Dave Prychitko, Frederic Sautet, Pete Boettke, Peter Leeson, and Steve Horwitz. <http://austrianeconomists.typepad.com/>

Marginal Revolution, a blog by Tyler Cowen and Alex Tabarrok. <http://marginalrevolution.com/>

## **Academic Integrity:**

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 <http://www.gmu.edu/academics/catalog/9798/honorcod.html> for more detailed information.

## **GMU Email Accounts:**

Students must activate their GMU email accounts to receive important University information, including messages related to this class.

## **Useful Campus Resources:**

### ***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 (<http://ods.gmu.edu>) at (703) 993-2474. All academic accommodations must be arranged through that office.

### ***Writing Center***

A114 Robinson Hall, (703) 993-1200  
<http://writingcenter.gmu.edu>

### ***University Libraries "Ask a Librarian"***

<http://library.gmu.edu/mudge/IM/IMRef.html>

### ***Counseling and Psychological Services***

(703) 993-2380, <http://caps.gmu.edu>

## **Course Schedule:**

There will be a quiz every Monday, unless class is canceled, in which case information regarding the quiz will be announced in the class prior to the quiz and/or communicated through email. The following is a tentative schedule and is subject to change depending on the flow of the class. The first unit will be roughly over "trade" as well as various basic economic principles and terminology. The second unit will be roughly over "development," why some countries are poor and others are rich, and why governments have not been and cannot be the solution.

### ***Unit 1 - Trade***

#### ***Week 1 - January 22***

Syllabus. What is economics? The economic way of thinking. Key concepts.

#### ***Week 2 - January 29***

Demand. Supply. Supply and Demand together.

#### ***Week 3 - February 5***

Prices. Price controls. Law of Diminishing Marginal Returns. Consumer and Producer Surplus.

#### ***Week 4 - February 12***

Effects of Tariffs, Quotas, Taxes, and Subsidies.

*Week 5 - February 19*

Opportunity Cost. Broken Window Fallacy. Comparative Advantage. Free Trade.

*Week 6 - February 26*

Money. Exchange Rate. Inflation.

*Week 7 - March 5*

Trade Deficit / Surplus. GDP. Sweatshops.

***MIDTERM***

(date to be announced)

***Unit 2 - Development***

*Week 8 - March 19*

Growth.

*Week 9 - March 26*

Moral Hazard. 20 Dollar Bill.

*Week 10 - April 2*

Institutions. Property Rights. Tragedy of the Commons.

*Week 11 - April 9*

Efficiency. The nature of voluntary exchange.

*Week 12 - April 16*

Free market. Knowledge Problems. Role of the Price System.

*Week 13 - April 23*

Capitalism and Socialism. Spontaneous Order.

*Week 14 - April 30*

Incentive problem. Principal-Agent problem. Calculation problem.

*Week 15 - May 7*

Failure of top-down planning.

***FINAL EXAM***

Tuesday, May 14th. 7:30pm-10:15pm.