

International Economic Policy

ECON 385

Spring 2022

Fridays at 9:00 – 11:30am

George Mason University | Arlington Campus, Van Metre Hall Room 467

Professor:

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OFFICE HOURS: Meetings to be scheduled by appointment over Zoom with great flexibility

COURSE OVERVIEW AND OBJECTIVES:

This course focuses on international economic policy using the standard tools of economic analysis and case studies. You will first learn the basic tools of economics: supply and demand, opportunity cost, comparative advantage, and the marginal way of thinking. These basics will provide the foundation for both the rest of this course. A significant component of economic analysis is the search for all of the consequences of a policy, both in the short term and the long run. As such, part one of the course will be spent understanding the institutions that develop in market-oriented economies and describing the effects of these institutions and laws on behavior.

We will examine how economic institutions, property rights, and the operation of markets differ across countries and why these differences emerge. Why do some countries experience more economic progress and prosperity than others? What can our theory help us understand in our quest for greater income mobility, sustainable and free political institutions, and sound international political relationships? By the end of the course, you will understand how such institutions and laws promote trade by offering relatively low-cost access to goods and services via a market price system. You will also understand how to apply the tools of economics to an array of policy issues.

Our focus is on the wealth of economic and political changes that have occurred in Africa, Asia, Eastern Europe, and the United States during the past 40 years. We will explain the reasons why some economic policies encourage trade and growth between countries and other policies reduce economic activity. In general terms, we will compare the incentives of leaders, businesses and consumers across alternative economic institutions found in different countries. We will draw on numerous cases and historical examples to illustrate these different incentives and how they affect income, specifically poverty, trade between countries, and political stability. We will also examine the barriers faced by governments in the use of international policy, particularly trade policies. Overall, the objective of this course is to teach you how to apply “the economic way of thinking” to matters pertaining to international economic policy.

REQUIRED MATERIALS:

The reading for this course comes from three sources: books, journal articles, and online readings.

Books

Bhagwati, Jagdish. 2008. [*Termites in the Trading System: How Preferential Agreements Undermine Free Trade*](#). New York: Oxford University Press.

Coyne, Christopher J. 2013. [*Doing Bad by Doing Good: Why Humanitarian Action Fails*](#). Stanford: Stanford University Press.

Irwin, Douglas. 2015. [*Free Trade Under Fire, 4th Edition*](#). Princeton: Princeton University Press.

Alex Nowrasteh and Mark Krikorian, [*Open Immigration Yea and Nay*](#). Encounter Broadside No. 41.

Journal Articles and Online Readings

All of the journal articles and online readings listed below are required reading. I have provided links to the journal articles where available. For readings with no link you can access the paper through the GMU library (E-journal finder).

COURSE STRUCTURE & GRADING:

Courses will be a mix of lecture and open discussion. Students are responsible for taking notes. I do not make my lecture notes available. If a student misses a class, it is their responsibility to obtain the lecture notes from a classmate.

****In light of the COVID-19 Pandemic we may have to switch class sessions to Zoom and I ask that you remain flexible. My goal is to hold as many in person meetings as possible as this is ideal for class discussions and learning. If we do move a class to Zoom you are required to attend these meetings, scheduled over Zoom and participate in class discussions virtually with your camera on. We often have guest speakers for class sessions and those may also occur over Zoom, depending on the speaker's preference. You are always expected to arrive on time and to be engaged in the discussion.**

Your final grade is based on discussion groups/reflective essays (20%), quizzes (20%), a midterm exam (20%), and a final exam (20%) and Op-Ed (20%). No additional credit is available.

Quizzes: Quizzes will be administered **at the beginning of class throughout the semester**. The quizzes will test your knowledge of the content of the required readings for the class as listed above. There are no makeup quizzes, and students must be on time to receive a quiz. Once collected, quizzes will not be distributed to latecomers.

Midterm exam: The midterm exam will be administered in class. The exam will include *all* material covered up until that point in time.

Final exam: The final exam will be administered in class. This exam date and time is set by the University and is non-negotiable. The final exam is comprehensive and will include *all* material covered throughout the semester.

Your letter grade will be assigned based on the weighted value of your exams and final project as follows:

A+ 97-100;	A 93-96;	A- 90-92
B+ 87-89;	B 83-86;	B- 80-82
C+ 77-79;	C 73-76;	C- 70-72

SPECIAL ACCOMODATIONS:

If you require any special accommodations, please see me immediately following the first class so that we can work together to make sure that you have what you need to succeed in this course. You must submit your accommodations through the Registrar for them to be accepted. **If you have not done so, we cannot honor them.**

POLICY REGARDING AUDIO/VIDEO RECORDING & PICTURES:

For the privacy and comfort of your fellow students, audio and video recordings, as well as photography, is strictly prohibited during class.

ACADEMIC DISHONESTY:

Cheating will not be tolerated and can result in a failing grade, dismissal from class, and expulsion from the university. If we suspect you of cheating, we will seek the appropriate punishment under George Mason University guidelines. Please review the [George Mason University Honor System and Code](#). No smart watches, fit bits, phones, laptops, tablets or any other electronic devices are permitted during exams. You are permitted to bring a pencil/pen and an exam sheet will be provided. . All backpacks are to be stored against the wall. If we think that you are cheating from another student's exam your exam will be pulled and you will be asked to leave and you will not be allowed to complete that exam.

Readings and Class Lecture Schedule

Please be sure to read all materials before class every week. You are required to read all assigned articles/books before the class date in which we will discuss them. Your quizzes will reflect what we will discuss that day and you coming prepared.

SCHEDULED OUTLINE OF COURSE EVENTS

1. Human Nature and Human Action

a. Leonard Reed, "I, Pencil" <http://www.econlib.org/library/Essays/rdPnc11.html>

b. Marginal Revolution University (MRU):

- i. [The Demand Curve](#)
- ii. [The Supply Curve](#)
- iii. [The Equilibrium Price and Quantity](#)

- iv. [A Deeper Look at the Demand Curve](#)
- v. [The Demand Curve Shifts](#)
- vi. [A Deeper Look at the Supply Curve](#)
- vii. [The Supply Curve Shifts](#)

2. Markets as Emergent Orders

- a. Free Trade Under Fire: Preface and Introduction
- b. Russ Roberts, “Treasure Island, The Power of Trade, Part I and II”
<http://www.econlib.org/library/Columns/y2006/Robertscomparativeadvantage.html>
<http://www.econlib.org/library/Columns/y2006/Robertsstandardofliving.html>

3. Institutions, Property Rights, and Social Cooperation

- a. F.A. Hayek, “The Use of Knowledge in Society”
<http://www.econlib.org/library/Essays/hykKnw1.html>
- b. Russ Roberts, “Where do Prices Come From?”
<http://www.econlib.org/library/Columns/y2007/Robertsprices.html>
- c. Douglass North, “Institutions” Journal of Economic Perspectives — Volume 5, Number 1 — Winter 1991 — Pages 97–112

4. Social Cooperation under the Division of Labor

- a. Adam Smith, “The Wealth of Nations” 1.1 – 1.4
<http://www.econlib.org/library/Smith/smWN.html>
- b. “Free Trade Under Fire” Chapter 1-2

5. Economic and Political Freedom

a. Robert A. Lawson and Jeff Clark “Examining the Hayek-Friedman Hypothesis on Economic and Political Freedom” Journal of Economic Behavior and Organization, Volume 74, Issue 3, June 2010, Pages 230-239

Review each of these indexes and read the Executive Summary for each:

- 1. Economic Freedom of the World Report
<https://www.fraserinstitute.org/sites/default/files/economic-freedom-of-the-world-2016-exec-summary.pdf>
- 2. The Human Freedom Index <https://object.cato.org/sites/cato.org/files/human-freedom-index-files/2017-human-freedom-index-2.pdf>
- 3. Freedom House Index: <https://freedomhouse.org/report/freedom-world/freedom-world-2018>

6. Public Choice and Collective Action

- a. William Shugart, “Public Choice” <http://www.econlib.org/library/Enc/PublicChoice.html>
- b. James Buchanan Nobel Prize Lecture http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1986/buchanan-lecture.htm

- c. Candela, Rosolino A., and Ennio Piano. 2018. "[Rule of Law](#)." In Alain Marciano and Giovanni Battista Ramello, eds. *Encyclopedia of Law and Economics*. New York: Springer.

7. The Economics of Politics, Pt. 1: Market Exchange vs. Political Exchange

- a. Bastiat, Frédéric. "[A Petition](#)." *The Library of Economics and Liberty*
- b. Irwin, Douglas. 2015. *Free Trade Under Fire*, Chapter 3.
- c. Ikeda, Sanford. 2003. "[Rent Seeking: A Primer](#)." *The Freeman* (November): 24 –26.

8. How Do We Measure Economic Progress?

- a. Delong, Brad. "[Estimates of World GDP, One Million B.C. to Present](#)"
- b. Boudreaux, Donald J. 2010. "[Free Trade and Globalization: More than 'Just Stuff.'](#)" *The Library of Economics and Liberty*
- c. Irwin, Douglas. 2015. *Free Trade Under Fire*, Chapter 4.

9.MIDTERM

10. Immigrations, Institutions and Economic Growth: Guest Lecturer: Alex Nowrasteh

- a. Clemens, Michael. 2009-2010. "[The Biggest Idea in Development That No One Really Tried](#)." *The Annual Proceedings of the Wealth and Well-Being of Nations* Vol. II: 25-49.
- b. Open Immigration: Yea and Nea by Alex Nowrasteh and Mark Krikorian

11. Policy Question: Can State-Led Humanitarian Aid Deliver Economic Progress?

****Chris Coyne Guest Lecturer****

- a. Coyne, Christopher J. 2013. *Doing Bad by Doing Good: Why Humanitarian Action Fails*, Chapters. 1–4.
- b. Boettke, Peter J., and Rosolino A. Candela. 2014. "[Development and Property Rights](#)." In Alain Marciano and Giovanni Battista Ramello, eds. *Encyclopedia of Law and Economics*. New York: Springer.

12. Trade and Emerging Markets

- a. Irwin, Douglas. 2015. *Free Trade Under Fire*, Chapter 5.

- b. Powell, Benjamin. 2014. "[Meet the Old Sweatshops: Same as the New.](#)" *The Independent Review* 19(1): 109–122.
- c. Nobel Laureate Angus Deaton Podcast
http://www.econtalk.org/archives/2013/11/deaton_on_health.html

13. Free Trade or Managed Trade?

- a. Bhagwati, Jagdish. 2008. *Termites in the Trading System: How Preferential Agreements Undermine Free Trade*, Chapters. 1–3.
- b. Boettke, Peter. The Battle of Ideas, Economics and the Struggle for a Better World
<https://static1.squarespace.com/static/5bc7ff018d9740726759a7c1/t/5c04386988251b4b5510b5c0/1543780460772/BattleIdeas.pdf>
- c. Irwin, Douglas. 2015. *Free Trade Under Fire*, Chapter 6.

14. TBD

15. Final Exam