

**International Economic Policy**  
**ECON 385**  
**Fall 2020**  
**Thursdays, 1:45 – 4:15 PM**  
**Van Metre Hall Room 118**

**Professor:**

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**Meetings to be scheduled by appointment**

**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, 4<sup>th</sup> 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 class, it is their responsibility to obtain the lecture notes from a classmate.

**\*\*The first two weeks of class will be virtual, and we will double the class meetings to accommodate for an earlier end to the semester in light of the COVID 19 pandemic. You will be required to attend these meetings, scheduled over Zoom and participate in class discussions virtually. Should we at any time have to return to online learning before the end of the semester we will conduct all classes over Zoom.**

Your final grade is based on discussion groups (10%), quizzes (20%), a midterm exam (20%), and a final exam (25%) and final presentation (25%). No additional credit is available.

Discussion Groups: You will be assigned a group that will lead the discussion over the assigned readings for the week. You will be asked to present a summary and analysis of the reading to the class and will lead the class through discussion and at least one question per article for the day you are assigned. You are in charge of leading and directing the discussion and will create a Power Point Presentation.

Quizzes: Quizzes will be administered **at the beginning of class each day 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 on October 1, 2019. The exam will include *all* material covered up until that point in time.

Final exam: The final exam will be administered on Tuesday, December 10, 2019 from 9:00-11:30 A.M. 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 (Tuesday, August 25, 10 -11:30 am VIRTUAL MEETING)**

- 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 (Thursday, August 27 1:45-3:15 pm VIRTUAL MEETING)**

- 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 (Tuesday, September 1, 10:00 – 11:30am VIRTUAL MEETING)**

- 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>

### **4. Social Cooperation under the Division of Labor (Thursday, September 3, 1:45-3:15 pm, VIRTUAL MEETING)**

- 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
- c. Douglass North, "Institutions" Journal of Economic Perspectives — Volume 5, Number 1 — Winter 1991 — Pages 97–112

### **5. Economic and Political Freedom (Thursday, September 10)**

- 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 (Thursday, September 17)**

- 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](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 (Thursday, September 24)**

- 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? (Thursday, October 1)**

- 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 (Thursday, October 8)**

## **10. Immigrations, Institutions and Economic Growth: Guest Lecturer: Alex Nowrasteh (Thursday, October 22)**

- 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. Trade and Emerging Markets (Thursday, October 29)**

- 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.
  - a. Nobel Laureate Angus Deaton Podcast  
[http://www.econtalk.org/archives/2013/11/deaton\\_on\\_health.html](http://www.econtalk.org/archives/2013/11/deaton_on_health.html)

### **12. Policy Question: Can State-Led Humanitarian Aid Deliver Economic Progress? (Thursday, November 5) **\*\*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.

### **13. Free Trade or Managed Trade? (Thursday, November 12)**

- 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>

#### Optional Reading:

Irwin, Douglas. 2015. *Free Trade Under Fire*, Chapter 6.

### **14. April 23 Final Presentations (Thursday, November 19)**

15. **Final Exam (Monday, November 23)**