

## Syllabus Fall 2014

### International Economics, ECON 390-001



Instructor	Lotta Moberg
Classroom	Robinson Hall B 220
Classes	Monday, Wednesday, Friday 12:30 pm - 1:20 pm
Office Hours	By appointment

#### Objectives

This course will give you a broad knowledge of commonly used trade models, international finance and international monetary economics. We will start with trade theory, covering comparative advantage, the Heckscher-Ohlin model, increasing returns and more. The goal is to give you a thorough understanding of the standard trade model, as well as to examine the weaknesses of commonly used trade models and theories. We will also look into the political economy of international trade to see the ways in which trade flows are governed by political concerns. Next, we will have a very short section on immigration. After that, we cover some of the most important, intriguing and debated topics in international finance, such as trade deficits, sovereign debt and exchange rates. We will also look at monetary policy in an international perspective. The objective is to give you a good understanding of the theory and empirics of international economics that will be helpful both in your academic, policy and business pursuits.

#### Required Readings:

1. Paul R. Krugman, Maurice Obstfeld and Marc J. Melitz, 2012. International Economics: Theory & Policy, 9<sup>th</sup> ed. Pearson – “KOM”.
2. Donald J. Boudreaux, 2008. Globalization, Greenwood Press – “DB”.
3. Papers and videos according to syllabus.

The main textbook for the course is International Economics (“KOM” from now on). The chapters in the textbook will provide the structure of the class and we will read most of the chapters in the book. When I write out pages in the course plan, these are the only ones in the chapter that are required reading. You may skip all KOM chapter appendices.

You will also be required to watch videos and listed to podcasts. They cover the basics of some of the topics on trade. You should watch and listen to this material before class for which it is assigned.

## **Examinations**

We will have three exams, which will be 50 minutes each. Together, these constitute 45% of your grade.

### **Paper**

You will write one paper on a topic of your choosing that is related to international economics. The length of the paper will be less than ten pages and it is due at the end of the semester. Prior to that, you are asked to submit a summary of your planned paper. You find the instructions for the paper assignment on the last pages of the syllabus.

### **Seminars**

We will have two short (50 minutes) and one long (2.5 hours) seminar, when we discuss topics for which you are given readings. You will be graded on your participation and revealed familiarity with the readings. You find the instructions for the seminars after the course plan in the syllabus.

### **Grading**

Exams – 15 % x 3 = 45 %

Paper summary – 5 %

Paper – 20 %

Seminars 1 & 2 – 5 % x2 =10 %

Final Seminar – 15 %

General class 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 important for your success in this course. In class, we will go through the parts of the KOM readings that you may find tough, we will discuss the implications of assigned readings and take the opportunity to allow for class participation. I strongly recommend that you look at the readings before the class for which they are listed. Although class attendance is not mandatory, you should notify me if you have any reasons for not attending regularly. If you miss an exam, seminar or deadline, your score for the task will be zero. The only good reasons for missing an exam or seminar are health related problems and death in the family, in which case that share of your grade will be postponed to the next exam (e.g. if you miss the first seminar for legitimate reasons, then Exam 2 will constitute 20 % of your grade). Any bad and disruptive behavior in class will render an F-grade and exclusion from any further attendance.

## **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**

I will post class material on my homepage [www.lottamoberg.com](http://www.lottamoberg.com), so that you can access it without typing any passwords, as well as on Blackboard. There will be frequent communication from me via e-mail, which with enrolled students can only be done via Mason e-mail accounts, so make sure to activate your account. Do not forget to check your student e-mail 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](http://registrar.gmu.edu). Last day to add or drop the class without any tuition charge is September 2. Last day to drop the class with a 33 % tuition payment is September 16 and with a 67 % payment September 26. After the last day to drop a class, withdrawing from this class requires the approval of the dean and will only be allowed for nonacademic reasons. As undergraduate students, you may choose to exercise a selective withdrawal between September 29 and October 24.

If you have a disability, please come and see me so that I 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 are arranged.

## **Important dates and deadlines**

9/19 Exam 1

10/17 Seminar 1

10/27 Exam 2

11/24 Paper Summary Deadline

12/3 Exam 3

12/5 Seminar 2

12/12 Paper Deadline

12/15 Final Seminar

**Course plan with readings – Papers notes and appendices of KOM chapters are not required.**

<b>Date</b>	<b>Content</b>	<b>Readings and videos</b>
Monday August 25	Presentation Syllabus	KOM: 1. On subjective Value: <a href="http://www.learnliberty.org/content/subjective-value-0">http://www.learnliberty.org/content/subjective-value-0</a>  Recommended: DB: 1
Wednesday August 27	World trade overview The gravity model of trade	KOM: 2  Video: <a href="http://mruniversity.com/courses/international-trade/gravity-equation-and-cost-trade">http://mruniversity.com/courses/international-trade/gravity-equation-and-cost-trade</a>
Friday August 29	Comparative advantage	KOM: 3 Videos on comparative advantage: <a href="http://mruniversity.com/courses/international-trade/comparative-advantage">http://mruniversity.com/courses/international-trade/comparative-advantage</a>  <a href="http://mruniversity.com/courses/everyday-economics/comparative-advantage-and-tragedy-tasmania">http://mruniversity.com/courses/everyday-economics/comparative-advantage-and-tragedy-tasmania</a>
Wednesday September 3	Continued	
Friday September 5	Specific Factors and Income distribution	KOM: 4 DB: 4 Video on the specific factors model: <a href="http://mruniversity.com/courses/international-trade/specific-factors-models">http://mruniversity.com/courses/international-trade/specific-factors-models</a>
Monday September 8	Continued	
Wednesday September 10	The Heckscher-Ohlin Model	KOM: 5
Friday September 12	Continued	
Monday September 15	Standard trade model	KOM: 6 Video on the standard trade model: <a href="http://mruniversity.com/courses/international-trade/heckscher-ohlin-theorem">http://mruniversity.com/courses/international-trade/heckscher-ohlin-theorem</a>
Wednesday September 17	Continued	
Friday September 19	<b>Exam 1</b>	
Monday September 22	External economies of scale	KOM: 7 DB: 3
Wednesday September 24		
Friday September 26	Internal economies of scale	KOM: 8 Adam Smith, Wealth of Nations, Book 1: Ch. 1: Of the Division of Labor, Ch. 2: Of the Principle which gives Occasion to the

		<p>Division of Labour, Ch. 3: That the Division of Labour is Limited by the Extent of the Market. <a href="#">Link</a>:  <a href="http://www.econlib.org/library/Smith/smWN1.html#B.I">http://www.econlib.org/library/Smith/smWN1.html#B.I</a>, Ch.1, Of the Division of Labor</p> <p>Videos on the division of labor:  <a href="http://mruniversity.com/courses/everyday-economics/division-labor-burgers-and-container-ships">http://mruniversity.com/courses/everyday-economics/division-labor-burgers-and-container-ships</a></p> <a href="http://mruniversity.com/courses/everyday-economics/division-knowledge-medicine-specialities">http://mruniversity.com/courses/everyday-economics/division-knowledge-medicine-specialities</a>
Monday September 29	Continued	
Wednesday October 1	Trade policy instruments	<p>KOM: 9</p> <p>Article on the U.S. History of protectionism:  <a href="http://www.cato.org/publications/commentary/truth-about-trade-history">http://www.cato.org/publications/commentary/truth-about-trade-history</a></p>
Friday October 3	Continued	
Monday October 6	<p>The Political Economy of trade policy</p> <p>Tariffs</p> <p>Quotas</p> <p>Subsidies</p> <p>The WTO</p>	<p>KOM:10</p> <p>DB: 5, 7</p> <p>Recommended: DB: 2</p> <p>Article on one version of quotas:  <a href="http://reason.com/archives/1998/07/01/french-kiss-off">http://reason.com/archives/1998/07/01/french-kiss-off</a></p> <p>Articles on farm subsidies in Europe:  <a href="http://www.bbc.com/news/world-europe-11216061">http://www.bbc.com/news/world-europe-11216061</a></p> <a href="http://www.debatingeurope.eu/focus/arguments-for-and-against-the-common-agricultural-policy/#.U8zSa2laySM">http://www.debatingeurope.eu/focus/arguments-for-and-against-the-common-agricultural-policy/#.U8zSa2laySM</a> <p>Commentaries on farm subsidies in the U.S.:  <a href="http://www.cato.org/publications/commentary/pork-farm-bill">http://www.cato.org/publications/commentary/pork-farm-bill</a></p> <a href="http://www.cato.org/blog/five-reasons-repeal-farm-subsidies">http://www.cato.org/blog/five-reasons-repeal-farm-subsidies</a> <p>Video on the U.S. subsidies by government lending:  <a href="http://www.cato.org/multimedia/media-highlights-tv/veronique-de-rugy-discusses-importexport-bank-subsidy-beneficiaries">http://www.cato.org/multimedia/media-highlights-tv/veronique-de-rugy-discusses-importexport-bank-subsidy-beneficiaries</a></p> <p>Article on WTO politics:  <a href="http://www.cato.org/publications/commentary/how-get-wto-talks-moving-take-agriculture-subsidies">http://www.cato.org/publications/commentary/how-get-wto-talks-moving-take-agriculture-subsidies</a></p> <p>Link to the trade disputes map:</p>

		<a href="http://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm">http://www.wto.org/english/tratop_e/dispu_e/dispu_maps_e.htm</a>  Articles on some recent disputes: <a href="http://www.thehindubusinessline.com/economy/china-cuba-back-india-for-food-procurement-subsidies-at-wto/article6218091.ece">http://www.thehindubusinessline.com/economy/china-cuba-back-india-for-food-procurement-subsidies-at-wto/article6218091.ece</a>  <a href="http://www.dw.de/us-loses-to-china-in-wto-trade-dispute/a-17785657">http://www.dw.de/us-loses-to-china-in-wto-trade-dispute/a-17785657</a>
Wednesday October 8	Continued	
Friday October 10	Continued	
Tuesday October 14	Trade policy in Developing countries	KOM: 11
Wednesday October 15	Continued + Intro to Special Economic Zones and Export processing zones	Article with an overview of SEZs: <a href="http://www.compasscayman.com/cfr/2013/07/12/The-SEZ-experience/">http://www.compasscayman.com/cfr/2013/07/12/The-SEZ-experience/</a>
Friday October 17	<b>Seminar 1</b>	Start-Up Cities, Seasteading
Monday October 20	Trade policy controversies	KOM: 12
Wednesday October 22	Continued	
Friday October 24	Immigration	Ben Powell argues for freer immigration: <a href="http://www.econlib.org/library/Columns/y2010/Powellimmigration.html">http://www.econlib.org/library/Columns/y2010/Powellimmigration.html</a>  The debate about the costs of immigrants: <a href="http://www.bbc.com/news/magazine-25880373">http://www.bbc.com/news/magazine-25880373</a>  Germany wanting more of them: <a href="http://www.washingtonpost.com/world/europe/the-new-land-of-opportunity-for-immigrants-is-germany/2014/07/27/93464262-7eff-4931-817c-786db6d21ec8_story.html">http://www.washingtonpost.com/world/europe/the-new-land-of-opportunity-for-immigrants-is-germany/2014/07/27/93464262-7eff-4931-817c-786db6d21ec8_story.html</a>  “What Part of Legal Immigration (to the U.S.) Don’t You Understand?” <a href="http://reason.org/files/a87d1550853898a9b306ef458f116079.pdf">http://reason.org/files/a87d1550853898a9b306ef458f116079.pdf</a>
Monday October 27	<b>Exam 2</b>	
Wednesday	Current account and	DB: 6

October 29	capital account	Econtalk with D. Boudreaux: <a href="http://www.econtalk.org/archives/2008/01/don_boudreaux_o.html">http://www.econtalk.org/archives/2008/01/don_boudreaux_o.html</a>  Paul Krugman has another view of trade imbalances: <a href="http://www.nytimes.com/2013/11/04/opinion/krugman-those-depressing-germans.html?_r=2&amp;nl=todaysheadlines&amp;adxnnl=1&amp;emc=edit_th_20131104&amp;adxnnlx=1384034685-cdodpC/1dV5g/KDtI4zqRA&amp;">http://www.nytimes.com/2013/11/04/opinion/krugman-those-depressing-germans.html?_r=2&amp;nl=todaysheadlines&amp;adxnnl=1&amp;emc=edit_th_20131104&amp;adxnnlx=1384034685-cdodpC/1dV5g/KDtI4zqRA&amp;</a>
Friday October 31	Sovereign debt  Vulture Funds	A blog posts on some basics: <a href="http://www.economicshelp.org/blog/256/economics/government-debt-and-the-trade-deficit/">http://www.economicshelp.org/blog/256/economics/government-debt-and-the-trade-deficit/</a>  Two articles on Argentina's debt debacle: <a href="http://www.thejournal.ie/readme/column-the-vulture-fund-eyeing-argentina-and-what-it-means-for-other-indebted-states-810894-Feb2013/">http://www.thejournal.ie/readme/column-the-vulture-fund-eyeing-argentina-and-what-it-means-for-other-indebted-states-810894-Feb2013/</a>  <a href="http://www.economist.com/news/americas/21608638-clock-ticking-toward-argentine-default-unsettling-times">http://www.economist.com/news/americas/21608638-clock-ticking-toward-argentine-default-unsettling-times</a>
Monday November 3	Continued	
Wednesday November 5	IMF and the WB  The BRICS Bank	On the difference between the IMF and the WB: <a href="https://www.imf.org/external/pubs/ft/exrp/differ/differ.htm">https://www.imf.org/external/pubs/ft/exrp/differ/differ.htm</a>  On the IMF lending conditions: <a href="http://www.imf.org/external/np/exr/facts/conditio.htm">http://www.imf.org/external/np/exr/facts/conditio.htm</a>  The Economist on the BRICS bank: <a href="http://www.economist.com/news/finance-and-economics/21607851-setting-up-rivals-imf-and-world-bank-easier-running-them-acronym">http://www.economist.com/news/finance-and-economics/21607851-setting-up-rivals-imf-and-world-bank-easier-running-them-acronym</a>
Friday November 7	The Asset Approach to Foreign Exchange and Exchange Rates	KOM: 14
Monday November 10	Continued	
Wednesday November 12	PPP and long-run exchange rates	KOM: 16: p. 385-388.
Friday November 14	International Monetary Policy  Currency manipulations	KOM 18:463-470, 472-474, 484-496.  Econtalk with Don Boudreaux on China, Currency Manipulation, and Trade Deficits: <a href="http://www.econtalk.org/archives/2010/11/don_boudreaux_o_4.html">http://www.econtalk.org/archives/2010/11/don_boudreaux_o_4.html</a>
Monday	Free Banking	Hayek, Denationalization of Money: 23-28, 46-54, 59-64. Link:

November 17	Bitcoin	<a href="http://mises.org/document/3970/Denationalisation-of-Money-The-Argument-Refined">http://mises.org/document/3970/Denationalisation-of-Money-The-Argument-Refined</a>  Video with Lawrence White explaining free banking: <a href="https://www.youtube.com/watch?v=0PyS2NtW3xA">https://www.youtube.com/watch?v=0PyS2NtW3xA</a>  Paper by Luther and White on Bitcoin: <a href="http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2446604">http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2446604</a>
Wednesday November 19	Historical monetary overview	KOM: 19: p. 504-521, 525-527 Video on the gold standard: <a href="http://www.learnliberty.org/videos/what-gold-standard">http://www.learnliberty.org/videos/what-gold-standard</a>
Friday November 21	Optimum currency areas	KOM: 20: p. 557-578 Paper: Mundell, Robert A. 1961 A Theory of Optimal Currency Areas, <i>The American Economic Review</i> , 51(4) (1961): 657-665.
Monday November 24	Break due to conference	Paper Summary deadline.
Monday December 1	Reserve time	
Wednesday December 3	<b>Exam 3</b>	
Friday December 5	<b>Seminar 2</b>	Tax Avoidance and Evasion
		<b>Friday, December 12: Paper deadline</b>
Monday December 15	<b>Final Seminar:</b> 10:30 am – 1:15 pm	The Future of Trade Sweatshops

### Instructions for the seminars

The seminar readings will be given at the beginning of the semester. They serve as preparation for discussion, so you need to do read and be prepared to discuss them prior to each seminar. The seminars will be semi-formal discussions on the topic at hand.

**Goal:** The seminars are a way for you to critically evaluate some contentious policies regarding foreign trade, trade for development and international finance. They are also an opportunity to apply models of international trade and finance to topics on which these are not commonly applied. Seminars allow you to practice arguing verbally for why a policy makes sense or what should be changed, using the economic way of thinking. They can help you better understand both the class material and current debates in international economics with the help of your classmates.

**Task:** Make sure you do the readings for each session. I will limit the reading list to make room for you also to find additional reading on your own to feel extra prepared for the discussions. While reading, plot down your own comments that you can bring to class. Why is the writer of an article wrong? What implications from other areas of international economics can help us better understand the issue? What makes sense from a logical economic point of view? What are the political economy implications? In what way do two different pieces concur or contradict each other? What do you think is the correct position to take on an issue and why? What do you not understand or find unclear in a particular argument, or the issue as a whole? These will all be good inputs for discussion.

Come prepared with a piece of paper with your name written on, large enough to be read across the room. I will monitor the discussions. Put your hand up if you want to speak, and wait for me to acknowledge you. If many people want to speak, I will keep a list of your names and you will be allowed to speak in order. You can either engage in an ongoing topic, or raise your own. Be clear about what material that you are referring to when talking. Feel free also to draw on your own experiences, your interests, and sources beyond the scope of this class. How the discussion develops will be up to you. I will only break in with questions and suggestions of topics to discuss if the conversation dies out.

**Grading:** Participation is key, as well as the quality of your comments or statements. Good participation in a seminar means that you help the discussion along and contribute in a productive way. For instance, stating that an author of a piece is stupid because you do not like his style is not helpful, as it leaves little possibility for your classmates to respond with constructive comments. I will look at indications that you have done the reading and that you have thought about the subject matter. Questions about things you find unclear with a piece are also good contributions for discussion, as it allows for good responses from your classmates. Do not be afraid to show that you do not fully grasp what someone is saying. It is more important that you have tried to understand and analyze the subject.

**Optional tasks for the seminar:** You should not take this class if you cannot participate in seminars. However, if you really need this class but know that you will not be able to participate, you may with my permission be given an optional task. This will be another writing exercise, similar to the term paper. This will inevitably be more work for the same possible grades. The seminars are thus easy points for anyone who can participate. This option is only for those in real need of an exit from participation. You should talk to me in the very beginning of the semester if you are interested in this option.

### **Instructions for the Paper**

**Goal:** The paper assignment allows you to analyze any subject that interests you in the broad field of international economics. While gathering information is an inevitable part of writing a paper, the focus should be on your analysis and hence your own contribution to the topic at hand. If you write a theoretical paper, your goal is to develop your own insights, to practice argumentative writing. An empirical paper can tackle any phenomenon or policy relevant to international economics. The goal is to learn to apply economic logic and insights from the class material to analyze the issue at hand.

**Task:** Pick a topic, guided by some basic questions: What are you interested in knowing more about or thinking more deeply about than the time for this class allows? Do we cover anything in class that you want to take a deeper look at? Or are you missing an international economics topic that you wanted a reason to learn about? What do you want to do after college, and how can you best use a paper writing assignment like this to your advantage for the future? If you are applying for grad school, you might want to look at a theoretical paper where you can demonstrate complex reasoning. If you want to work on policy issues, then pick a policy topic.

Write up a one-page summary of the paper where you focus on your core argument. The summary should make clear: 1.) What your argument is. This should fit into one sentence, since there is no room here for a long story or to make several disparate points. 2.) Examples of some material you will be using: Academic papers you will use, if you will use any class material or any particular data. 3.) A brief sketch of the outline, including what you think that your conclusion might be. Submit the summary to me for comments.

The point of the summary is for me to prevent you from spending time writing a paper with an empty core or one that seems confusing. Please be clear and explain to me what the paper will be like. A paper title in your summary is recommended but not mandatory. The clearer the summary, the bigger is your chance that I can give good feedback and lead you in the right direction. You may change everything for the final paper, but then my comments will be of little use. You are not graded on your content of the summary, but you are graded on you handing it in and summarizing your paper carefully.

With my comments at hand, consider what your outline will be and then write up the paper. Once done, it needs to be revised and grammar checked. Read it again and try to find your own flaws. Are the paragraphs in right order? Is that sentence too long to understand? Is it clear what I am trying to say? Then, have a person proof read and comment on it. This can be anyone, a classmate, a friend or your uncle. If you cannot bear having someone else reading it, you probably need to take another stab at it. If your uncle does not understand what it is about, it is not clear enough.

**Format of the paper:** The paper can be maximum 10 pages, and I recommend aiming at 8-10 pages, written in letters of size 12, double spaced. It is harder to write shorter and still make a point, but you are also more likely to write a clear paper in shorter format. They should be well written, structured and thoroughly proof-read. Send your papers to me in Word format (.doc or docx), such that I can insert comments in the document. Please make a list of your references at the end of the document.

**Grading:** I will look for how well you make your point to an audience that may have a college degree but are not economists. Remember that I am not your audience, but the judge. How clearly do your arguments follow from your empirical or theoretical backing? How well have you selected the model or theory that you are applying? Are you both intelligible and intelligent, that is, how well do you avoid complicated sentences while making a substantial point? How well is the paper structured (rather than jumping back and forth between different points)? How much do I learn from reading it? Finally, is it revised so that the grammar is good and words not misspelled and misplaced?