

Instructor: Simon Biló

International Economic Policy (ECON 385-C01)

Date range: Summer 2011, Jul 05, 2011 - Aug 05, 2011

Days: MTWR 12:00 pm - 2:15 pm

Room: Robinson Hall A248

Office Hours: MTWR 10:00 am – 11:00 am (349 Enterprise Hall)

Email: sbilo [at] gmu.edu

Economics must not be relegated to classrooms and statistical offices and must not be left to esoteric circles. It is the philosophy of human life and action and concerns everybody and everything

--L. von Mises

The course

Economics is a science of human action. It is a formal analysis of purposeful human behavior – the behavior when individuals use means to achieve their goals. Economic laws are from a certain perspective like the laws of physics – man-made-legislation has no effect on their general validity. In the same way as the act of parliament cannot change the law of gravity, it also cannot change the laws of economics.

It is therefore the man-made-legislation that is constrained by the laws of economics and not the other way round. This point is very important because it implies that economic policies do not necessarily lead to the ends that they are intended to achieve. A policy can be designed in a way that defeats its own purpose or in a way that leads to painful unintended consequences. It is the knowledge of economics that can prevent us from adopting such policies and that can help us to identify why certain policies fail.

During this semester, you will be exposed to the economic way of thinking and to its applications to the problems of international policy.

You will understand how it is that incentives matter and that they do matter under all circumstances – when shopping for local groceries as well as when providing help to people in developing countries.

You will learn that voluntary exchange is beneficial and welfare improving and that the international division of labor is therefore a blessing rather than a curse.

You will find out that it is not sufficient to focus on the seen and obvious consequences of economic policies. One also has to care about the consequences that are not in the spotlight of the newspaper headlines. A celebration of a relief provided to a group of individuals might not be at place if it is related to a hidden suffering of others.

You will be encouraged to see the world as a complex and interrelated phenomenon. Social relationships and production processes have their structures that are coordinated. What are these coordinating mechanisms? How did they evolve? To what extent can they be changed or improved? These are the questions you should be constantly asking yourself during this semester.

I expect you to read, write, and speak up. Be intellectually curious, critical, and open-minded. Focus on the logical coherence of your arguments and be polite to others.

Grading:

Final Paper	40%
Quizzes	30%
Homework	10%
Participation	10%
Presentation	10%

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		

Final Paper

You are required to write a research paper on a topic related to a developing country. You can choose more recent topic as well as a historical one, it depends on you. I expect you to take a set of economic policies applied in the chosen developing country during the chosen period and to analyze these policies. Focus your analysis on policies related to economic development of the country. For example, you can focus on foreign aid, trade barriers, labor market reforms, or immigration policies. You should base your analysis on the concepts and arguments that you learn during the course. If the analyzed policies are at odds with the economic way of thinking, criticize them and suggest policies that are more appropriate.

The specific topic of the paper has to be approved by me, the instructor. The tentative title, short abstract (5-10 sentences), and the preliminary list of literature (the minimum of 5 sources that are not listed in this syllabus) are for this purpose due by **July 15** (Friday), **5pm**. You have to **email** them to me at **sbilo [at] gmu.edu**. Late submissions will get lower grade.

The first draft of the paper must be minimum of 4 pages double spaced with 1-inch margins and 12-pt Times Roman Font. In addition, you have to include a separate cover page and a separate page with the list of literature. The first draft is due by July **July 22** (Friday), **5pm**. You have to **email** me the draft at **sbilo [at] gmu.edu**. Late submissions will get lower grade.

The final paper must have at least 8 pages double spaced with 1-inch margins and 12-pt Times Roman Font. In addition, you have to include a separate cover page and a separate page with the list of literature. The paper will be due **by August 5, 2011, 5pm**. You have to **email** me the paper as **pdf**. document at **sbilo [at] gmu.edu**. Late submissions will get lower grade. I will send you an email when I receive your final paper. If you do not get an email from me, you should assume that I did not get the paper.

While I am **not** putting an upper bound on the number of pages of the paper, you are

expected to express your thoughts **clearly and concisely**. Longer paper does not necessarily mean a better grade and papers that unnecessarily and excessively derail from the approved topic will be marked down.

Quizzes

You will be quizzed at the beginning of every class. The quiz will be short and the questions will be based on the required readings for that particular day and on the topics covered during the previous class. There will be **no make up** quizzes but I will drop the two of your lowest quiz grades at the end of the semester.

Homework

Reading the assigned material is essential for being successful in this class. You are expected to read all the assigned material prior to the class and make notes of those parts of the readings that you consider to be particularly important. Notes have to be at least half page long (pages are single spaced with 12-pt Times Roman Font and 1-inch margins). It is up to each of you how you organize your notes: you can write them down in bullet points, you can write them as a short essay, or you can use any other way that works for you. (The notes are primarily for your own reference.) While no maximum length is assigned, I expect you to be concise. The notes must be emailed to me at **sbilo [at] gmu.edu** by **11 a.m.** of the day when the readings are discussed. There are only two grades that you can get for each particular submission – full score or zero points. Three lowest homework grades will be dropped at the end of the semester.

Participation

Lectures are discussion based and you are expected to speak up during the class. For this to work, you have to come to the class prepared, having read the assigned readings for the given class. I will not take attendance but I recommend you to attend the class because your grade depends on your participation in the class discussions.

Presentation

You will present your final paper on one of the following dates: **July 26, 27 and 28** (Tuesday - Thursday). I will decide the dates and times of each one's presentation during the semester. There will be no make up presentations.

Readings:

The Required Readings:

(AW) Coyne, Christopher (2008). *After War: The Political Economy of Exporting Democracy*. Stanford, CA: Stanford University Press.

(DGC) Norberg, Johan (2003). *In Defense of Global Capitalism*. Washington, D.C.: Cato Institute.

(EQG) Easterly, William (2002). *The Elusive Quest for Growth: Economists' Adventures and*

Misadventures in the Tropics. Cambridge, Massachusetts: The MIT Press.

(EOL) Hazlitt, Henry (1979). *Economics in One Lesson*. New York: Three Rivers Press. A version is also available online: <http://www.fee.org/library/books/economics-in-one-lesson/>

(MES) Rothbard, Murray N. (2009). *Man, Economy, and State with Power and Market - Scholars Edition*, 2nd edition. Auburn, Alabama: Ludwig von Mises Institute. Also available online: <http://mises.org/rothbard/mes.asp> or <http://mises.org/Books/mespm.PDF>

Additional required readings:

There are additional required readings. These are shorter pieces and they are specified in the schedule below. They are either available online or, if it is not the case, I will distribute them to you during the semester.

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:

Your GMU email accounts are an important communication channel for the purposes of these class. I expect that your account is active and that you regularly check your emails.

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>

Tentative Class Schedule and Assigned Readings:

I expect you to read the assigned readings before the class for which they are assigned.

Class 1 – July 5 (T)

Topics: General introduction to the economic way of thinking.

Class 2 – July 6 (W)

Topics: human action, time, uncertainty, means, ends, plan, the law of marginal utility, the law of returns, the nature of capital.

Required readings: MES 1-72.

Class 3 July 7 (R)

Topics: voluntary exchange, specialization and the division of labor, the law of comparative advantage, equilibrium price, the effects of speculation, the concepts of supply and demand.

Required readings: MES 84-169.

Class 4 July 11 (M)

Topics: prices, entrepreneurship, capitalism, socialism.

Required readings: DGC 20-59; EOL chapters 15 and 22; EQG chapter 4;

Hayek, Friedrich A. von (1945). "The Use of Knowledge in Society." *The American Economic Review* 35, 519-530, also available online <http://www.jstor.org/stable/1809376> .

Class 5 July 12 (T)

Topics: welfare economics, price ceilings, price floors, prohibition, compulsory cartels, licenses, standards of quality and safety, conscription, subsidies to unemployment, penalties on market forms, conservation laws, bribery of government officials.

Required readings: MES 1061-1074, 1075-1080, 1084-1089, 1094-1101, 1113-1116, 1122-1133, 1141-1142; EOL chapters 1, 17, 18 and 19.

Class 6 July 13 (W)

Topics: Interventionism, law of unintended consequences, regulation, taxation, health care, and welfare.

Required readings: DGC 64-90. EQG ch. 11.

Class 7 July 14 (R)

Topics: free trade, tariffs, quotas, globalization and economic growth, immigration, comparative advantage.

Required readings: DGC 113-150; EOL chapter 11; EQG chapter 5; MES 1101-1111.

Class 8 July 18 (M)

Topics: causes of growth, institutions, legal systems, culture, transparency, and freedom of the press.

Required readings: DGC 90-98; EQG chapter 1;

Boettke, Peter J. (1998). "Why culture matters: Economics, politics, and the imprint of history." *Journal of the LSE Hayek Society* 2, 9-16. Also available online:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1531000 .

Class 9 July 19 (T)

Topics: sweatshops, competition, immigration, multinational corporations, and concentration.

Required readings: DGC 210-222 and 224-238; MES 1111-1112.

Class 10 July 20 (W)

Topics: foreign aid, development planning, and developing nations.

Required readings: Easterly, William (2009). "Can the West Save Africa?" *Journal of Economic Literature* 47: 373-447.

Class 11 July 21 (R)

Topics: war, terrorism, exporting democracy.

Required readings: AW chapters 1 and 8; EOL chapters 2 and 3.

Class 12 July 25 (M)

Topics: anarchy, polycentrism.

Required readings: MES 1047-1056;

Rajan, Raghuram (2004). "Assume Anarchy? Why an orthodox economic model may not be the best guide for policy." *Finance and Development* September, 56-57,

<http://www.imf.org/external/pubs/ft/fandd/2004/09/pdf/straight.pdf>;

Leeson, Peter T. "Better off Stateless: Somalia Before and After Government Collapse."

http://www.peterleeson.com/Better_Off_Stateless.pdf;

Powell, Benjamin, Ryan Ford and Alex Nowrasteh (2006). “Somalia After State Collapse: Chaos or Improvement.” Independent Institute Working Paper Number 64, http://www.observatori.org/paises/pais_74/documentos/64_somalia.pdf.

Class 13 July 26 (T), Class 14 July 27 (W), and Class 15 July 28 (R)

Topics: student presentations.

Class 16 August 1 (M)

Topics: trade cycle and the world economy.

Required readings:

Mises, Ludwig von (1996). “The “Austrian” Theory of the Trade Cycle.” in Richard M. Ebeling, ed. *The Austrian Theory of the Trade Cycle and other essays*. Auburn, Alabama: The Ludwig von Mises Institute, 23-32. Also available online <http://mises.org/pdf/austrad.pdf> ;

Papola, John and Russ Roberts. “Fear the Boom and Bust.” <http://econstories.tv/2010/06/22/fear-the-boom-and-bust/> (watch the video and read the lyrics);

Papola, John. “Part I: Keynesianism: It’s All About Spending.” <http://econstories.tv/2010/10/25/part-i-keynesianism—it’s-all-about-spending/> (watch the video);

Papola, John. “Part I: Fear the Boom: The Austrian Theory of Boom and Bust with Lawrence H. White.” <http://econstories.tv/2010/10/22/fear-the-boom/> (watch the video);

Papola, John. “Part III: The Cluster of Errors: The Austrian Theory of Boom and Bust with Lawrence H. White.” <http://econstories.tv/2010/10/22/the-cluster-of-errors/> (watch the video);

Papola, John. “Part II: The Bust The Austrian Theory of Boom and Bust with Lawrence H. White.” <http://econstories.tv/2010/10/22/the-bust/> (watch the video).

Class 17 August 2 (T)

Topics: the great depression, the great recession, moral hazard and irresponsible countries.

Required readings: EQG ch 6

Papola, John and Russ Roberts. “Fight of the Century.” <http://econstories.tv/2011/04/28/fight-of-the-century-music-video/> (watch the video and read the lyrics);

Horwitz, Steven, and Peter Boettke (2009). *The House That Uncle Sam Built*. Irvington-on-Hudson, New York: Foundation for Economic Education. Also available online: <http://fee.org/wp-content/uploads/2009/12/HouseUncleSamBuiltBooklet.pdf> .