



# International Economics



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<b>Class:</b>	Econ 390-001, Spring 2012	<b>Professor:</b>	Chuck Moulton
<b>Room:</b>	University Hall, 1202	<b>Office:</b>	Enterprise Hall, Work. 342
<b>Schedule:</b>	Mon., Wed., & Fri.; 12:30-1:20 pm	<b>Office Hours:</b>	by appointment

**Course Website:** <http://www.chuckmoulton.org/gmu/econ390/>

**“When goods don’t cross borders, armies will.”** – Frederic Bastiat (actual origin may be Otto T. Mallery)

**“It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”** – Adam Smith

## Course Objectives

The objective of the course is to master trade, tariffs, immigration, exchange rates, and balance of payments so you can rebut common economic fallacies when discussing this subject with friends.

## Textbooks

*Required:*

1. *International Economics* (9<sup>th</sup> edition) by Krugman, Obstfeld, & Melitz  
ISBN-10: 0132146657, ISBN-13: 978-0132146654 [hereinafter: “Krugman”]
2. *The Choice: A Fable of Free Trade and Protectionism* (3<sup>rd</sup> edition) by Russell Roberts  
ISBN-10: 0131433547, ISBN-13: 978-0131433540 [hereinafter: “Roberts”]
3. *The Elusive Quest for Growth* by William Easterly  
ISBN-10: 0262550423, ISBN-13: 978-0262550420 [hereinafter: “Easterly”]

*Recommended (strongly):*

1. *Economic Sophisms* by Frederic Bastiat  
ISBN-10: 1452856095, ISBN-13: 978-1452856094 [hereinafter: “Bastiat”]
2. *The Travels of a T-Shirt in the Global Economy* by Pietra Rivoli  
ISBN-10: 0470287160, ISBN-13: 978-0470287163 [hereinafter: “Rivoli”]

*Note:*

- Most of the reading assignments will be from Krugman.
- MyEconLab with the Krugman book is not necessary for this course.
- There is a study guide available for Krugman, but it is neither required nor recommended.
- The entire Bastiat book is free online at: <http://www.econlib.org/library/Bastiat/basSoph.html> .

## Office Hours

Office hours will be held in Enterprise Hall, workstation 342, by appointment. Appointments should be made by emailing [chuck@moulton.org](mailto:chuck@moulton.org) (include “Econ 390” in the subject). In emergencies you may call **888-MOULTON** (888-668-5866), but email is strongly preferred.



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## Grading

*Final grade calculation:*

- **20%** quizzes
- **40%** midterms
  - midterm #1 (2/17/2012 tentatively, **UPDATE:** moved to 2/24/2012)
  - midterm #2 (3/9/2012 tentatively, **UPDATE:** moved to 3/23/2012)
  - midterm #3 (4/13/2012 tentatively)
- **40%** final exam (5/14/2012, 10:30 am - 1:15 pm)

*Quizzes:*

Equally weighted 5 question quizzes consisting of multiple choice and true/false questions will be given at the beginning of every class. All of the material for the quizzes will come from that day's reading assignment. No make-up quizzes will be given for those who arrive late or are absent. Quizzes will be curved. The lowest 10 quizzes will be dropped (out of approximately 30 quizzes).

*Midterms / final exam:*

Midterms and the final will be predominantly multiple choice – though there may be some true/false, short answer, and essay questions. All of the material for the midterms and final will come from class lectures. There will be no make-up tests. Midterms will be equally weighted. Tests will be curved. The lowest midterm grade will be dropped. The final exam will be comprehensive; midterms will not.

*Extra credit:*

If there is an on campus speaker or an event at a DC think tank related to international economics, extra credit may be awarded for attendance. This is not guaranteed to happen. Listen in class for opportunities.

*Attendance:*

Class attendance is not mandatory, but lack of attendance will mean missing graded quizzes. If you miss a class, you are nonetheless responsible for obtaining information about the class – both content discussed and announcements made. Class participation may raise marginal final grades.

## Honor Code

Students are expected to understand and to adhere to the honor code of George Mason University. Students may neither give nor receive help from other students or from other sources during exams or quizzes. Also students are obligated to report any violations observed.

## Disability Resource Center

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through that office.



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Most readings will come from Krugman. Additional material may be assigned on an ad hoc basis.  
Schedule is subject to change – with notice both in class and on the course website.

## Unit I: International Trade Theory

- 1/23/2012      **Class Mechanics:** Syllabus (*no quiz*)
- 1/25/2012      **Introduction, World Trade:** Krugman Ch. 1, readings/videos
  - Subjective Value
    - <http://www.learnliberty.org/content/subjective-value-0>
  - Broken Window Fallacy
    - <http://www.learnliberty.org/content/broken-window-fallacy>
- 1/27/2012      **World Trade:** Krugman Ch. 2
- 1/30/2012      **Ricardian Model (Comparative Advantage):** Krugman Ch. 3, readings/videos
  - Trade is Made of Win – Part 1
    - <http://www.learnliberty.org/content/trade-made-win-part-1-wealth-creation>
  - Trade is Made of Win – Part 2
    - <http://www.learnliberty.org/content/trade-made-win-part-2-cooperation>
  - Trade is Made of Win – Part 3
    - <http://www.learnliberty.org/content/trade-made-win-part-3-conservation>
- 2/1/2012        **Specific Factors Model (Limited Factor Mobility):** Krugman Ch. 4
- 2/3/2012        **Heckscher-Ohlin Model:** Krugman Ch. 5
- 2/6/2012        **Standard Trade Model:** Krugman Ch. 6
- 2/8/2012        **External EoS (International Location Selection):** Krugman Ch. 7
- 2/10/2012      **Internal EoS (Exports, Dumping, Outsourcing):** Krugman Ch. 8, readings/videos
  - Herbert Dow and Predatory Pricing
    - <http://www.thefreemanonline.org/featured/herbert-dow-and-predatory-pricing/>
  - How many jobs are onshorable?
    - <http://www.voxeu.org/index.php?q=node/3659>
  - Offshoring
    - [http://cdn.abcnews.com/stossel/free/Stossel/080523\\_stossel\\_outsourcing.wmv](http://cdn.abcnews.com/stossel/free/Stossel/080523_stossel_outsourcing.wmv)
- 2/13/2012      **Immigration 1:** readings/videos
  - The Immigration Equation
    - <http://www.nytimes.com/2006/07/09/magazine/09IMM.html>
  - How Immigrants Create Jobs
    - [http://www.stosselintheclassroom.org/index.php?p=video\\_imm\\_create\\_jobs.html](http://www.stosselintheclassroom.org/index.php?p=video_imm_create_jobs.html)
  - The Impact of Immigration on Jobs and Income
    - <http://www.learnliberty.org/content/impact-immigration-jobs-and-income>
  - Top 3 Myths About Immigration
    - <http://www.learnliberty.org/content/top-3-myths-about-immigration>



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- 2/15/2012      **Immigration 2:** readings/videos
  - What Part of Legal Immigration Don't You Understand?
    - <http://reason.org/files/a87d1550853898a9b306ef458f116079.pdf>
  - Jason Riley assails myths of immigration
    - <http://www.cato.org/multimedia/cato-video/jason-riley-assails-myths-immigration>
  - Immigration Policy: Overview
    - <http://www.lp.org/blogs/nigel-lyons/immigration-policy-overview-prof-bryan-caplan>
  - Immigration Restrictions: A Solution in Search of a Problem (*not required for quiz*)
    - <http://www.fff.org/comment/com1009f.asp>

## Unit II: International Trade Policy

- 2/17/2012      **Sweatshops / Child Labor:** readings/videos (*moved from 2/20/2012*)  
**(Midterm #1 moved to 2/24/2012)**
  - Sweatshop Exploitation
    - <http://econfaculty.gmu.edu/wew/articles/04/sweatshop.html>
  - The Unbelievable Truth About Sweatshops
    - <http://www.learnliberty.org/content/unbelievable-truth-about-sweatshops>
  - In Defense of Sweatshops
    - <http://www.econlib.org/library/Columns/y2008/PowellSweatshops.html>
  - In Praise of Cheap Labor
    - <http://www.slate.com/id/1918>
  - Two Cheers for Sweatshops
    - <http://www.nytimes.com/library/magazine/home/20000924mag-sweatshops.html>
- 2/20/2012      **Trade Policy (Tariffs, Subsidies, VERs):** Krugman Ch. 9, Bastiat Ch. I.7, readings/videos (*moved from 2/22/2012*)
  - Petition of the Candlemakers (Bastiat Ch. I.7)
    - <http://www.econlib.org/library/Bastiat/basSoph3.html#S.1,%20Ch.7,%20A%20Petition>
  - The value of imports for U.S. manufacturers
    - <http://www.cato.org/multimedia/cato-video/lewis-leibowitz-discusses-value-imports-us-manufacturers>
  - Economic Stupidity
    - <http://econfaculty.gmu.edu/wew/articles/03/stupidity.html>
  - Why Congress Should Repeal Sugar Subsidy
    - [http://www.cato.org/pub\\_display.php?pub\\_id=8381](http://www.cato.org/pub_display.php?pub_id=8381)
  - The Japanese Automobile Cartel
    - <http://www.cato.org/pubs/regulation/regv12n1/reg12n1-denzau.html>



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- 2/22/2012      **Free Trade:** Krugman Ch. 10, readings/videos (*moved from 2/24/2012*)
  - Free Trade v. Protectionism
    - <http://www.learnliberty.org/content/free-trade-v-protectionism>
  - The Case for Free Trade
    - <http://www.hoover.org/publications/hoover-digest/article/7125>
  - Free Trade and the Steel Industry
    - [http://www.youtube.com/watch?v=jOpI\\_FXt0eM](http://www.youtube.com/watch?v=jOpI_FXt0eM)
  - A Negative Railroad (Bastiat Ch. I.17)
    - <http://www.econlib.org/library/Bastiat/basSoph4.html#S.1,%20Ch.17,%20A%20Negative%20Railroad>
  - What Should Be a Culture of Enterprise in an Age of Globalization
    - <http://www.cato.org/multimedia/cato-video/tom-palmer-what-should-be-culture-enterprise-age-globalization>
- 2/24/2012      **Midterm #1** (*moved from 2/17/2012*)
- 2/27/2012      **Trade in Developing Countries:** Krugman Ch. 11, readings/videos
  - The Truth about Trade in History
    - [http://www.cato.org/pub\\_display.php?pub\\_id=10983](http://www.cato.org/pub_display.php?pub_id=10983)
  - The Smoot-Hawley Tariff Act legacy
    - <http://www.cato.org/multimedia/cato-video/smoot-hawley-tariff-act-legacy>
- 2/29/2012      **Trade Policy Controversies:** Krugman Ch. 12
- 3/2/2012      **Balance of Payments:** Krugman Ch. 13, Bastiat Ch. 6, readings/videos
  - The Balance of Trade (Bastiat Ch. 6)
    - <http://www.econlib.org/library/Bastiat/basSoph2.html#S.1,%20Ch.6,%20The%20Balance%20of%20Trade>
  - Why we needn't fear the trade deficit
    - <http://www.cato.org/multimedia/cato-video/donald-boudreaux-discussing-why-we-neednt-fear-trade-deficit>
- 3/5/2012      **The Choice:** Roberts Ch. 1-9
- 3/7/2012      **The Choice:** Roberts Ch. 10-16
- 3/9/2012      **catch up day** (no quiz, **Midterm #2** moved to 3/23/2012)

## Unit III: Exchange Rates

- 3/12-16/2012    **No Class (Spring Break)**
- 3/19/2012      **Exchange Rates (Interest Rate Parity):** Krugman Ch. 14 (*moved from 3/21/2012*)
- 3/21/2012      **Money, Interest Rates:** Krugman Ch. 15 (*moved from 3/23/2012*)
- 3/23/2012      **Midterm #2** (*moved from 3/9/2012*)



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- 3/26/2012 **Long Run Exchange Rates (Purchasing Power Parity):** Krugman Ch. 16
- 3/28/2012 **Short Run Exchange Rates (Output):** Krugman Ch. 17
- 3/30/2012 **Exchange Rates Regimes (Fixed, Floating, etc.):** Krugman Ch. 18
- 4/2/2012 **International Monetary Systems:** Krugman Ch. 19
- 4/4/2012 **Optimum Currency Areas:** Krugman Ch. 20
- 4/6/2012 **Financial Globalization:** Krugman Ch. 21
- 4/9/2012 **Developing Countries:** Krugman Ch. 22
- 4/13/2012 **Midterm #3** (tentative)

## Unit IV: Miscellaneous Stuff

- 4/16/2012 **Radical Ideas I:** readings/videos
  - The Cellphone Revolution in Kenya
    - [http://brunoleonimedia.servingfreedom.net/Papers/IBL\\_Arunga\\_Kenya.pdf](http://brunoleonimedia.servingfreedom.net/Papers/IBL_Arunga_Kenya.pdf)
  - Everyone Needs a Safe Place to Save
    - [http://www.youtube.com/watch?v=qZ0RQDo\\_vJs](http://www.youtube.com/watch?v=qZ0RQDo_vJs)
  - How ideas trump crises
    - [http://www.ted.com/talks/alex\\_tabarrok\\_foresees\\_economic\\_growth.html](http://www.ted.com/talks/alex_tabarrok_foresees_economic_growth.html)
  - The Haves and the Have-Nots
    - <http://economix.blogs.nytimes.com/2011/01/31/the-haves-and-the-have-nots/>
  - 200 Countries, 200 Years, 4 Minutes
    - <http://www.youtube.com/watch?v=jbkSRLYSojo>
- 4/18/2012 **Radical Ideas II:** readings/videos
  - Charter Cities
    - [http://www.ted.com/talks/paul\\_romer.html](http://www.ted.com/talks/paul_romer.html)
  - Caplan's take on Charter Cities
    - <http://www.youtube.com/watch?v=-JTEEjIAYXs>
  - Seasteading
    - <http://tedxtalks.ted.com/video/TEDxDeIMar-Patri-Freidman-Seast>
- 4/20/2012 **catch up day** (no quiz)
- 4/23/2012 **Development:** Easterly Ch. 1-5
- 4/25/2012 **Development:** Easterly Ch. 6-10
- 4/27/2012 **Development:** Easterly Ch. 11-14
- 4/30/2012 **catch up day** (no quiz)
- 5/2/2012 **catch up day** (no quiz)
- 5/4/2012 **No Class** (I'm at a conference)
- 5/14/2012 **Final Exam** (10:30 am - 1:15 pm)