

George Mason University
International Economics
Economics 390

Professor: Dr. Thomas Carl Rustici
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Office: Enterprise Hall Room 322 (Fairfax Campus)
Office Hours: MWF 9:30-10:15am, 1:00-2:00pm
Tues. 3:30-4:00pm

Objectives:

The lectures and readings in this course are designed to familiarize students with the fundamentals of international economics. The course will emphasize the role of market institutions in the coordination of global economic activity. These institutions will include: the price mechanism, exchange rates, comparative advantage, international investment, as well as formal international institutions such as United Nations, World Bank, and International Monetary Fund. We will also examine the foundation of international law, the evolution of the world monetary system and global environmental quality from a property rights perspective.

Also, various interventions into the global market mechanism such as tariffs, import quotas, voluntary restraint agreements, capital import-export controls are explored for their impact on the global production and trading system. Finally, the role of the informal economy is examined in the context of world economic development.

Grades:

There are three exams in this course, two mid-terms and a comprehensive final. There is also a required paper approximately 15 pages in length on any approved topic in international economics. The paper is due the day of the final. The grading scale followed is 90%-100%=A, 80%-89% =B, etc. The course grade is weighted as follows:

Exam 1: 20%
Exam 2: 20%
Paper: 30%
Final: 30%

Texts:

There are five books required for this course. These include:

How The West Grew Rich by Nathan Rosenberg and L.E. Birdzell (RB)
The Fair Trade Fraud by James Bovard (JB)

Perpetuating Poverty ed. by Doug Bandow and Ian Vasquez (BV)
Equality, the Third World, and Economic Delusion by Peter Bauer (PB)
The Rise and Decline of Nations by Mancur Olson (MO)

There is also a wide variety of reading material on reserve desk at the library.

While these articles will be very helpful for exam preparation and the course paper, they are not required unless prefaced with (*). Class handouts are denoted by an asterisk (**).

Week 1: *International Spontaneous Order*

(RB) Chapter 1

(JB) Chapter 1

(**) Leonard Reed, "I, Pencil"

Dwight Lee and Robert McKnown, "Order From Chaos"

Frederic Bastiat, "Abundance and Scarcity"

Week 2: *Micro Theory and Economic Coordination*

(RB) Chapter 2

(JB) Chapter 2

(MO) Chapter 1

(*) F.A.Hayek, "The Use of Knowledge in Society"

Hans Sennholz, "The Formation and Function of Prices"

Thomas Rustici, "A Public Choice View of the Minimum Wage"

Week 3: *Comparative Advantage, Exchange Rates and International Trade*

(RB) Chapter 3

(JB) Chapters 3-4

(MO) Chapter 2

(BV) Chapter 15-16

(**) Frederic Bastiat, "The Candlemaker's Petition"

(**) Frederic Bastiat, "The Balance of Trade"

(**) David Ricardo, "On Foreign Trade"

(*) C.Rowley, W.Thorbecke and R.Wagner, "The Case for Free Trade"

(*) Kinichi Ohmae, "Lies, Damned Lies and Statistics"

H. Myint, "International Trade and Developing Countries"

Roger Arnold, "International Finance"

Simon Rottenberg, "Economic Policy In the Poor Countries"

Week 4: *Money, Capital and International Finance*

(RB) Chapter 4

- (JB) Chapters 5-6
- (MO) Chapter 3
- (*) Carl Menger, "The Origin of Money"
- (*) Milton Friedman, "The Role of Monetary Policy"
- (*) Percy Greaves, "Why Speculators?"
 - Gottfried Haberler, "International Aspects of Growth and Stability"
 - Paul Heyne, "Information, Middlemen and Speculators"

Week 5: *Inflation And The International Monetary System*

- (RB) Chapter 5
- (JB) Chapter 7
- (MO) Chapter 4
- (BV) Introduction, Chapter 10
- (*) Ludwig Von Mises, "Inflation"
 - Milton Friedman, "The Cure for Inflation"
 - Harry Johnson, "The International Monetary System and the Rule of Law"

Exam 1

Week 6: *Public Choice*

- (JB) Chapter 8-end of book
- (MO) Chapter 5
- (BV) Chapter 1-2
- (*) Thomas Rustici and Alan Koczela, "Public Goods and Public Choice"
- (**) Federalist Papers 10 and 51

Week 7: *Property Rights, Economic Development and The Economics of International Law*

- (RB) Chapter 6
- (MO) Chapter 6
- (*) Hernando De Soto, Chapters 1-2
- (*) Tom Bethell, "The Role of Property Rights In Economic Progress"
- (*) T. Anderson & P.J. Hill, "The Evolution of Property Rights..."
- (*) Harold Demsetz, "Toward a Theory of Property Rights"
 - Ronald Coase, "The Problem of Social Cost"
 - James Gwartney, "Private Property, Freedom, and the West"
 - Alan Rufus Waters, "Economic Growth And Property Rights"
 - Ludwig Von Mises, "Capitalism"

Week 8: *Property Rights and the Global Environment*

(RB) Chapter 7-8

(*) Hernando De Soto, Chapters 3-4

William Dennis, "The Public and Private Interest In Wilderness Protection"

R. Smith, "Resolving the Tragedy of the Commons by Creating Private Property Rights"

Doug Bandow, "Developing the Mineral Resources of the Sea Bed"

John Baden and Richard Stroup, "Saving the Wilderness"

Dwight Lee and Robert McKnown, "Conserving Our Resources"

Ruth Maynard, "Who Conserves Our Resources?"

Terry Anderson and Donald Leal, "Homesteading the Oceans"

Terry Anderson and Donald Leal, "Tackling the Tougher Problems"

John Baden and Richard Stroup, "Property Rights and Natural Resource Management"

Week 9: *Mercantilism: The Attack On Property Rights*

(RB) Chapter 9

(PB) Chapters 1-2

(MO) Chapter 7

(BV) Chapter 8

(*) Hernando De Soto, Chapters 5-6

(*) George Ayittey, "Africa's Agricultural Disaster"

(*) Thomas Rustici, "Rent Seeking, Public Choice and the Smoot-Hawley Tariff Act: Were Interest Groups Behaving Rationally?"

Karl Zinsmeister, "East African Experiment"

Week 10: *Taxation, Land Reform and Political Corruption*

(RB) Chapter 10

(PB) Chapters 3-5

(BV) Chapters 7,9,11

(*) Hernando De Soto, Chapter 7

Thomas Rustici, "Estimating the Size of America's Underground Economy"

David Osterfeld, "Corruption and Development"

Keith Marsden, "Taxation and Economic Growth"

Alvin Rabushka, "Taxation, Economic Growth and Liberty"

Sven Rydenfelt, "Soviet Union"

Sven Rydenfelt, "China"

John Powelson and Richard Stock, "Philippines"

John Powelson and Richard Stock, "Tanzania"

John Powelson and Richard Stock, "Eleven Short Stories"

Exam 2

Week 11: *International Institutions and Economic Development*

(PB) Chapters 6-9

(BV) Chapters 3-6

(*) Hernando De Soto, Chapters 8 - end of book

(*) George Ayittey, "Economic Atrophy In Africa"

(*) Fred Smith, "The Politics of IMF Lending"

(*) Kinichi Ohmae, "Development in a Borderless World"

Paul Craig Roberts, "Third World Debt: The Legacy of Development Economists"

Manual Ayau, "A Way Out Of The Debt Crisis"

Week 12: *Population, Capital and Entrepreneurship in Economic Growth Models*

(PB) Chapters 10-11

(BV) Chapters 12-14

Karl Zinminster, "Free Markets And Population: Turning Problems Into Assets"

Thomas Rustici, "The Failure of Neoclassical Growth Models"

S. Herbert Frankel, "The Kongwa Groundnut Experiment"

H. Myint, "The Inward and Outward-Looking Countries of Southeast Asia"

Sven Rydenfelt, "Toward A General Theory of Incentives"

Julian Simon, "Population Growth, Economic Growth and Foreign Aid"

S. Herbert Frenkel, "Investment and Economic Development in the Continent of Africa"

Week 13: *Comparative Economic Systems*

(PB) Chapter 12- end of book

Katsuro Sakoh, "Japanese Economic Success"

Gerald Scully, "Liberty and Economic Progress"

P.T. Bauer, "Market Order and State Planning"

Ludwig Von Mises, "Socialism"

Ludwig Von Mises, "Interventionism"

Alvin Rabushka, "The Free Market Approach To Economic Growth"

Tom DiLorenzo, "The Political Economy Of Industrial Policy"

Don Lavoie, "Two Varieties Of Industrial Policy"

Vladimir Bukovsky, "The Soul of Man Under Socialism"

Week 14: *Spontaneous Order And the Human Mosaic*

Final Exam December 14, 10:30-1:15 pm

Suggested Reading List

The following books and essays are *suggested* readings, not required for the course, but nevertheless the foundation for any serious understanding of international economics. Additionally, these books, in conjunction with the suggested weekly articles, will be helpful for background research for your papers.

Charles Rowley, Wilhelm Thorbecke and Richard Wagner, *Trade Protection in the United States*

Stephen Magee, William Brock, and Leslie Young, *Black Hole Tariffs and Endogenous Policy Theory*

Anne Krueger, *American Trade Policy*

Paul Krugman, *Peddling Prosperity*

P.T. Bauer, *Dissent on Development*

Gottfried Haberler, *Economic Growth and Stability*

Don Lavoie, *National Economic Planning: What is Left?*

S. Herbert Frankel, *Economic Impact on the Underdeveloped Societies*

H. Myint, *The Economics of the Developing Countries*

H. Myint, *Economic Theory and the Underdeveloped Countries*

F.A. Hayek, *The Denationalization of Money*

F.A. Hayek, *The Fatal Conceit*

Ludwig von Mises, *Socialism*

George Ayittey, *Africa Betrayed*

Frederic Bastiat, *Economic Sophisms*

Julian Simon, *Population Matters*

Julian Simon, *The Ultimate Resource*

Ronald Bailey ed., *The True State of the Planet*

Terry Anderson and Donald Leal, *Free Market Environmentalism*

Murray Feshback and Alfred Friendly, *Ecocide*

Dixi Lee Ray, *Trashing the Planet*

John Baden, *Earth Day Reconsidered*

Dwight Lee and Richard McKenzie, *Quicksilver Capital*

Wilhelm Ropke, *Against the Tide*

Wilhelm Ropke, *Economics of the Free Society*

Henry Hazlitt, *From Bretton Woods to World Inflation*

Henry Hazlitt, *The Conquest of Poverty*

John Powelson and Richard Stock, *The Peasant Betrayed*

Sven Rydenfelt, *A Pattern of Failure*

Alvin Rabushka, *From Adam Smith to the Wealth of America*

Guy Sorman, *The New Wealth of Nations*

Milton Friedman, *Capitalism and Freedom*

F.A. Hayek, *The Road To Serfdom*

Paul Johnson, *Modern Times*

Peter Beottke, *Why Perestroika Failed*

Jagdish Bhagwati, *Protectionism*

Bruce Benson, *The Enterprise of Law*
Robert Axelrod, *The Evolution of Cooperation*
W.T. Curtiss, *The Tariff Idea*
Frank Taussig, *Tariff History of the United States*
Paul Hollander, *Political Pilgrims*
Paul Craig Roberts, *Meltdown in the Soviet Economy*
Alexander Solzhenitsyn, *The Gulag Archipelago Vol.1-3*
Karl Popper, *The Open Society and Its Enemies Vol.1-2*
Thomas Sowell, *Race and Culture*
Rondo Cameron, *A Concise Economic History of the World*
Stephen Mosher, *Broken Earth: The Rural Chinese*
Kinichi Ohmae, *The Borderless World*
Lawrence Harrison, *Underdevelopment is a State of Mind*
Robert Ellikson, *Order Without Law*
Antony Sutton, *Western Technology and Soviet Economic Development Vol.1-3*