ECON 355: International Trade  
Spring 2016

Tuesdays and Thursdays 10.05am – 11.20am  
Location: Social Sciences 119

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Description

This is a course on the economics of globalization and trade policy. Throughout the course we will introduce topics related to international trade that have been discussed or that are currently been discussed in policy circles and media outlets. Following the introduction of each topic, we will propose and study an economic framework to guide our analysis of the issue. At the end of the course, students are expected to critically think about trade- and globalization-related issues within formal economic frameworks.

What will you gain?

Besides learning about the economics of international trade, the course provides a good opportunity to put your microeconomic theory skills to work on policy relevant questions. In addition, most international trade models rely on general equilibrium frameworks. One of the important legacies of an education in economics is to be able to think about policy questions within a general equilibrium framework. The course is a great opportunity to develop the ability to think in general equilibrium terms.

Main Textbook


Additional Readings

Elhanan Helpman “Understanding Global Trade,” Belknap Press  
W. W. Norton & Company

At the beginning at each topic, I will introduce a real-world policy question. I will then invest some time presenting the key facts and background behind each question. Finally, we will study the problem posed through the lenses of an economic framework. Therefore, in order to study each of the main models of international trade, I will motivate the model with a real-world policy question and use the model as tool to formalize the question and to prescribe policy recommendations.

Some of the policy questions we will study in the course include: Why do countries trade? What goods do countries trade? How do trade and trade policy affect workers and labor market conditions? What are the effects of trade policies such as tariffs and quotas? Should developing countries use tariffs to jump-start growth? Should the US government combat offshoring of jobs to and imports from China?

**Theory Contents of the Course**

1. The Ricardian Model
2. The Specific-Factors Model
3. The Hecksher-Ohlin Model
4. Oligopoly Models
5. Increasing Returns to Scale Models
6. Monopolistic Competition
7. Heterogeneous Firms
8. Tariffs and Quotas with Perfect Competition
9. Tariffs and Quotas under Oligopoly
10. Infant-Industry Protection
11. Trade Creation and Trade Diversion

**Grading**

Problem Sets: 30% (I will be assigning 6 to 8 problem sets throughout the semester)
Midterm exam: 30% (Thursday March 10th)
Final Exam: 40% (TBD)

**Policies**

Late homework will not be accepted. Your lowest homework grade will be dropped. Regarding exams and problem sets: If a serious problem arises, you must let me know before any of these exams are given or before the homework is due, even if it is by email. **No make-up exam or problem set deadline extension will be given without proper documentation supporting**
your version for missing the exam or problem set deadline. If you have a medical issue that does not allow you to take the exam (or turn in the problem set), you need to bring a physician’s note attesting your issue. If you have a car accident driving to the exam, you need to bring a police report or proof of the accident. There will be NO exceptions.