

September 24 version

Syllabus

Duke University

Fall 2012

Economics 555 International Trade

Professor Edward Tower

Monday, Wednesday 10:05am-11:20am. Social Sciences 107.

Final exam is Saturday December 15, 2012 2pm-5pm.

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Office Room 227A Social Sciences, 660-1818

Cell 919-332-2264. I prefer emails. That gives me time to think up answers to your queries.

Office Hours: 9am on Mondays and Wednesdays in room Social Sciences 107, our classroom.

I am also happy to make additional appointments to talk with you. A good time is before class.

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Texts:

Richard E. Caves, Jeffrey A. Frankel and Ronald W. Jones, *World Trade and Payments: An Introduction*, 10th Edition, Prentice Hall 2007, 712 pp. \$137.50, Duke Bookstore used \$69.75, From Amazon you can get a used 9th edition for \$9.00. There is hardly any difference between the two editions. New editions come out all the time. I suggest you buy the 9th edition second hand from Amazon.

Douglas A. Irwin, *Free Trade Under Fire*, Princeton University Press. Third Edition, 2009. \$22.95 at Duke Bookstore used, \$15.53 (including shipping) from Amazon used.

R. T. Roberts, *The Choice: A Fable of Free Trade and Protectionism*, Paperback 2006. 3rd edition. \$21.75. used from Amazon \$4.00 (including shipping for an old edition. That will work fine). I also have some copies outside my office door along with a signout sheet.

W. M. Corden, *Trade Policy and Economic Welfare*, second edition, Oxford University Press, 1997. On reserve in the library. Also, I am asking the bookstore to order some copies. This is a book that I love, but students find tedious. Parts of my lecture notes are

based on it. \$37.50 used at the Duke bookstore; \$9.50 (including shipping) used from Amazon.

James Bovard, *The Fair Trade Fraud*. St. Martin's Press. 1991. One cent plus \$3.99 shipping used from Amazon.

Prerequisites:

Econ 105D and 110D

Synopsis of course content

Outlines the fundamental principles of international trade. Topics covered include the gains from trade, explanations of observed patterns of trade, the welfare and distributional effects of tariffs and other commercial policies, the economics of the trade balance.

Assignments

Readings before each lecture will typically consist of a chapter from an international economics textbook and one article.

Problem sets and comments on the readings will be assigned from time to time. I expect an assignment will be due each Monday before class.

Exams

One midterm exam, plus a final exam.

Term papers

One. It will examine the congressional debate on a trade policy issue or else a project of a student's choosing. The idea is to compare how politicians carry out the debate with what economists have to say about the issue. Before writing your term paper you should read some of the papers I have written with students on congressional voting on trade policy issues. The paper on steel quotas with Rob Fisher and Omer Gokcekus considers the trade policy debate. A book by Leland Yeager and David Tuerck, *Foreign Trade and US Policy* also does a nice job of criticizing congressional debate on trade policy. I like this assignment, because it shows how important the issues we deal with in this course are and how badly congresspersons choose to muck up the issues either out of ignorance or on purpose to gain votes, probably the latter.

An alternative is to write a review of a book dealing with an international trade issue and see if you can publish it in a scholarly journal. Several students managed to do that the last time I taught the course. Students have been particularly successful publishing reviews in economics journals based in Asia. The idea is to distill important ideas from a recent book and explain and critique them. The Economic and Social Commission for

Asia and the Pacific, a division of the United Nations is keen to publish reviews of books dealing with international trade and other economic policy issues that have relevance for Asia and the Pacific.

The term paper should be between 3 and 8 pages, spaced 1.5 lines per page. I realize that you have not looked at the very recent literature. One possibility for a term paper is for you to take your computer to the library, and look in recent journals, such as the *American Economic Review*, the *Economic Journal* and others. Find some articles that you find interesting. Explain what the result of each article is, and briefly explain the intuition. These can be related to one another or not. For example one student last year wrote something on environmental economics and international trade. If you are averse to going to the library, you can find working papers on the social sciences research network, SSRN. These are arranged by subject. I will show you how to access these in class on Thursday. The important thing is for you to learn from this paper.

Grade:

For the midterm and final exam, I will give out review questions in advance. The exam questions will be quite close to these review questions.

Final exam 30%

Term paper 25%

Essays and Problem sets 25%.

Midterm 20%

Assignment for Wednesday August 29: Write a one page commentary on James Bovard's *Free Trade Fraud*. We will precede this with discussion in class. Bullet points are a good way to do this. The purpose is for you to have notes that remind you of what was important in the book and what your criticisms are. You will find this useful for studying for exams. I find I never remember anything I have read unless I take notes. The way I would do this is to read through the book with my computer on. Then every time I find an interesting point I write it down along with my commentary. Thus, the reading and thinking and writing all become one act.

If you prefer to read and comment on something else, feel free to do so. I want you to focus on what interests you and what you feel is important in this course.

Class Schedule

M Aug 27

W Aug 29 *The Fair Trade Fraud* Discussion. Please prepare one page of discussion on James Bovard's *The Fair Trade Fraud*. You will discuss this book in class. I will not attend this class, as I am attending the Burning Man Festival in Nevada—a society

without money-- as part of an article my son is writing for GQ magazine. I am sorry to miss the discussion as this is one of my favorite books. Please email your comments to the class and myself by midnight Tuesday evening. I have copies of the book to lend out. Each student will bear responsibility for one of the chapters in the book, but your comments may also touch on other chapters as well. **If you are unable to get a copy of the book, you may write your essay on *The Choice*. The bookstore has plenty of copies.**

M Sep 3.

W Sep 5 Please prepare one page of discussion on Doug Irwin's *Free Trade Under Fire*. This is a fine book that tells you a large hunk of what you will want to remember in this course. Please email to the class including me by midnight Tuesday evening.

M Sep 10

W Sep 12 Please email to the class, including me by midnight Tues evening your one page response to Russell Roberts's *The Choice*. Also, please have one sentence ready to say about the book in class.

M Sep 17

W Sep 19 Please email to the class, including me by midnight Tues evening your one page response to Diedre McCloskey's *Economical Writing*. There are copies on reserve at Pickens library, but they are on reserve for a different course. There are old editions of the book in the Perkins library stacks. They will work fine for you. Those of you who read this book for another class will want to read and write a commentary on something else. You can pick it. My suggestion for you is to go to Bostock Library and pick up a copy of the *Economist* in the current periodicals section. Look at some or one of the articles there and write a one page commentary.

M Sep 24

W Sep 26. Please email to me by midnight Tuesday evening a one page comment on Milton Friedman's "The Case for Flexible Exchange Rates." I am emailing this article to you.

M Oct 1

W Oct 3 Midterm Exam

Your midterm exam is a take home exam. Your task is to read carefully a working paper dealing with an issue in international economics.

A working paper is one that has not been published yet. Typically the author is looking for comments on how to improve the paper.

You then email the author a letter telling him how the paper could be improved. Journals often ask me to write referee's reports, suggesting how to improve the paper. What do I typically suggest. I look for grammar and spelling mistakes. I ask are there enough headings and subheadings? Are the headings and subheadings descriptive? Has the author paid attention to the ideas that Diedre McCloskey has on how to write. Are the titles of the tables and figures descriptive? Is it possible to understand the major idea of the paper from reading the abstract, introduction, and conclusion? It should be.

Authors will feel happy that you took the time to write them about their paper and that you read and thought about it carefully. This is a chance for you to make a friend. Are you

thinking about applying for a PhD at Australian National University. Then perhaps you want to comment on a working paper from someone who is there. I am forwarding a referees report discussing how to improve a paper that I wrote yesterday. This is an example of how to write a referee's report.

Here is the index of working papers by subject. This is published by the Social Sciences Research Network.

<http://papers.ssrn.com/sol3/DisplayAbstractSearch.cfm>

Here is a collection of economics working papers by institution.

<http://econpapers.repec.org/paper/>

I would like a hard copy of the article you comment on, your letter to the author, and your report on the article.

M Oct 8

W Oct 10

M Oct 15 Fall Break. No Class

W Oct 17 Please comment on the two essays on the US export import bank, which I emailed you earlier in the week. One page max.

M Oct 22

W Oct 24

M Oct 29

W Oct 31

M Nov 5

W Nov 7

M Nov 12

W Nov 14

M Nov 19

W Nov 21 Thanksgiving Break. No Class.

M Nov 26

W Nov 28

M Dec 3 Grad Reading Period Lecture or Review or Essay Presentations

W Dec 5 Grad Reading Period Lecture or Review or Essay Presentations