

ECON 355: International Trade
Spring 2020

Mondays and Wednesdays 8.30am to 9.45am
Location: Social Sciences 111

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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 being 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

John McLaren “International Trade,” Wiley, First Edition

Additional Readings

Doug Irwin “Free Trade Under Fire,” Princeton University Press
Russell Roberts “The Choice: A Fable of Free Trade and Protection,” Prentice Hall
Elhanan Helpman “Understanding Global Trade,” Belknap Press

Dani Rodrik “The Globalization Paradox: Democracy and the Future of the World Economy,”

W. W. Norton & Company

Joseph Stiglitz “Globalization and Its Discontents,” Norton Paperback

Paul Krugman, Maurice Obstfeld and Marc Melitz “International Economics: Theory and Policy,” Addison Wesley

Robert Feenstra “Advanced International Trade: Theory and Evidence,” Princeton University Press

Highly Recommended

I highly recommend that, over the semester, you listen to the “Trade Talks” podcast run by Chad Bown (Senior Fellow at the Peterson Institute for International Economics) and Soumaya Keynes (Economics and Trade correspondent at The Economist magazine). The podcast discusses current issues in trade and often cites current economics research to analyze the issues of interest. Listening to the podcasts will be good for you to relate what we learn in class to real world issues and it will provide good material for the final project described below. You can find the podcast here: <https://itunes.apple.com/us/podcast/trade-talks-piie/id1270804213?mt=2>

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 (time permitting)

Grading

Your final course grade will be based on 5 or 6 problem sets given throughout the semester, a midterm exam, a final exam and a project based on the book “Free Trade under Fire,” by Doug Irwin. The project will involve writing a critical summary of the book. You will try to relate the contents of the book with the material seen in class and to the current debate on trade issues. Our Teaching Assistant, TBD, will hold three to four sessions over the semester to engage interested students in debates over issues covered in the book.

Problem Sets: 30%

Midterm exam: 25% (Thursday March 22nd)

Project: 15%

Final Exam: 30% (May 3rd 2pm to 5pm)

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 prior to the date of the exam or before homework is due, even if it is by email. **No make-up exam or problem set deadline extension will be given without an official excuse from your dean. There will be no exceptions.**