

Economics 371: International Economics: Trade

Spring 2007

Time: Mondays and Thursdays, 2:10-3:25
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Office Hours: Mondays and Wednesdays, 3:30-5:00
And By Appointment

COURSE DESCRIPTION: This class offers an in-depth analysis of the economics of international trade. The goal of the course is to analyze the economic and social implications of international trade, including who benefits and who loses from current trends in international trade policy. To accomplish this goal we will first study the leading theoretical models of trade and discuss what determines the direction of trade, the gains from trade, and how the gains from trade are distributed amongst various groups in an economy. We will then turn to trade policy, and study the economic effects of tools such as tariffs and quotas. We will discuss some of the hottest topics in international economic policy today, including agricultural and export subsidies, regional trade agreements, and safeguard protection.

This course is part of the advanced sequence in international economics, which also includes a separate course on international finance (ECON-372). The prerequisite for this course is intermediate price theory (ECON-300). This prerequisite is important and will not be waived. Students who have had the basic international economics class (ECON-370) may take this class, but may find a significant amount of overlap in the course material.

TEXT: The main text for the course is Appleyard & Field, *International Economics* (McGraw-Hill, Fourth Edition). Supplementary readings will be placed on the class blackboard site or distributed in class. The readings are references, but not substitutes for lectures.

GRADING:

Class Participation	10%
Paper and Presentation (<i>April 23 and 26</i>)	20%
Midterm (<i>March 8</i>)	30%
Final Exam	40%

Exams will be given only on the scheduled dates (no exceptions will be made). Acceptable reasons for missing an exam are incapacitating illness, participation in a university-sponsored intercollegiate competition, or family emergency. If you miss an exam, you should inform me of your excuse within one week of the exam. No make-up exams will be given, but if you have an acceptable excuse your other scores will be scaled up proportionately. If your excuse is unacceptable, your grade will be similarly

adjusted but subject to a 25 percent penalty. Similarly, presentations can only be given on April 23 or 26. Please see the attached description of this assignment.

Articles starred (*) in the course outline below are required readings; it is essential that you read these articles prior to our classroom discussion. Other readings may be assigned throughout the course of the semester. Although the dates listed in the course outline are tentative, I will announce in class and post on the blackboard site the specific day the readings will be discussed in class. Prior to coming to class, I expect you to write a brief, one paragraph answer to the “question of the day” associated with these readings, which will be announced in class and posted on the blackboard site. I will collect your answers prior to our discussion. Although your answers are not graded, your class participation grade will be determined by your involvement in classroom discussions.

In addition to the graded work described above, I will periodically place homework problems on the course website that are designed to help you prepare for exams. Although these homework problems are not graded, understanding often comes through struggling on these problems.

Standards of academic conduct are set forth in the University’s Academic Integrity Code. Violations of the Academic Integrity Code will not be treated lightly, and disciplinary actions will be taken should such violations occur.

COURSE OUTLINE:

I. Introduction
(January 18)
Reading: Chapter 1

II. Early Trade Theories
(January 22)
Reading: Chapter 2

III. Comparative Advantage and the Ricardian Theory of International Trade
(January 25-29)
Reading: Chapters 3 and 4

* “David Ricardo: Theory of Free International Trade,” *Economic Insights, Federal Reserve Bank of Dallas*, 9(2): 1-4.

IV. Neoclassical Trade Theory
(February 1 - 8)
Reading: Chapters 5-9

* Richard B. Freeman, “Are Your Wages Set in Beijing,” *Journal of Economic Perspectives*, Summer 1995, 9(3): 15-32.

V. New Trade Theories
(February 12-15)
Reading: Chapter 10

VI. Trade and Growth
(February 19)
Reading: Chapter 11

VII. Trade Policy and Multilateral Trade Agreements
(February 22-March 5)
Reading: Chapter 13-17

* Andrew Rose, "Do We Really Know that the WTO Increases Trade," *American Economic Review*, 2004, 91(1): 98-114.

* Joseph E. Stiglitz, "Dumping on Free Trade: The U.S. Import Trade Laws," *Southern Economic Journal*, October 1997, 64(2): 402-424.

* Benjamin Liebman and Kara M. Reynolds, "Returns from Rent-Seeking: Campaign Contributions, Firm Subsidies and the Byrd Amendment," *Canadian Journal of Economics*, November 2006, 39(4): 1345-1369.

Midterm (March 8)

VIII. Economic Integration: Regional Trade Agreements
(March 19-22)
Reading: Chapter 18

* Anne O. Krueger, "Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist," *Journal of Economic Perspectives*, 1999, 13(4): 105-124.

IX. International Factor Movements: International Investment and Migration
(March 26 - 29)
Reading: Chapter 12

* Rachel Friedberg and Jennifer Hunt, "The Impact of Immigrants on Host Country Wages, Employment and Growth," *Journal of Economic Perspectives*, Spring 1995, 9(2): 23-44.

X. Trade and Development
(April 2-5)
Reading: Chapter 19

* Anne O. Krueger, "Trade Policy and Economic Development: How We Learn," *American Economic Review*, March 1997, 87(1): 1-22.

- * United Nations Conference on Trade and Development, "Overview," *Trade and Development Report, 2006*, pp. I-XXI.

XI. Additional Topics in International Trade
(April 9-19)

- * D.K. Brown, "Labor Standards: Where Do They Belong on the International Trade Agenda," *Journal of Economic Perspectives*," Summer 2001, 15(3): 89-112.
- * E. Edmonds and N. Pavcnik, "Child Labor in the Global Economy," *Journal of Economic Perspectives*, Spring 2005, 19(1): 199-220.
- * D.C. Esty, "Bridging the Trade-Environment Divide," *Journal of Economic Perspectives*, Summer 2001, 15(3): 113-130.

Presentations (April 23-26)

XII. Conclusion
(April 30)

Final (May 3)