

Georgetown University, Department of Economics
Economics 243: International Trade
Spring 2010, Section 03: MW 5:40-6:55PM ICC 108

Professor: Benjamin Mandel
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Course Site: <http://www.brmandel.com/teaching.html>

Course scope: This advanced undergraduate course develops basic theories of international trade and uses them to address policy issues. General questions include: Why is there trade among countries? What determines the pattern of trade? Do countries gain from trade? How much? Are there losers from trade? What are the effects of trade on employment and wages? What determines migration and FDI, and what are their effects on a country's welfare? More specific policy questions include: What is the empirical relationship between trade and income inequality? What are the effects of tariffs and other trade barriers on welfare? What is the role of the WTO? Can labor and environmental concerns be addressed in the context of international trade agreements?

As a basis for the analysis in this course, students are presumed to have taken at least one course in microeconomics prior to enrolment.

Readings: *International Trade* (Feenstra and Taylor, Worth Publishers, 2008) is required and we will follow several chapters closely. This is a new textbook with an emphasis on recent empirical research on international trade. It demonstrates how abstract theoretical models can be used to help us understand the data and statistics on trade flows. Recommend, but not required, reading is the companion study guide, *International Trade Study Guide* (Yeaple, Worth Publishers, 2008). Some portions of the course will rely heavily on non-textbook readings. On days when a non-textbook reading is assigned, students are expected to come to class prepared to discuss the reading. I have provided a web address for many articles, with others available on my website, or through JSTOR. You should also plan to read a major newspaper that covers international trade issues regularly (e.g., *The Economist*, *Financial Times*, *New York Times* or *Wall Street Journal*).

Grading: There will be five problem sets (25%), a midterm (25%) and a final exam (50%). There will be no make-ups for students who miss the midterm exam. Students who have a dean-approved excuse for missing the midterm can take the final for 75% of the final grade. Both the problem sets and exams will require you to apply the economic models presented in class and in the textbook to economic questions. Grading will be based on how well you apply the models to analyzing the question at hand. Getting the "right" numerical answer will only earn part of the full credit.

The problem sets are learning tools that will help you to prepare for the exams, and I encourage working on the problems with a group. You may choose your own group of up to 4 people to work with, and each group may turn in one copy of the problem set. All members will receive the same grade. **Problem sets are due at the end of class on the days specified in the course outline. No late problem sets will be accepted!** I will post solutions to the problem sets to my website at the end of the day on which problem sets are due.

As an alternative to a single problem set (or replacement of the lowest problem set grade), students will have the option to prepare a 5 minute presentation based on a media article on current trade issues from the newspapers listed above. The presentation should equally weight a summary of the issue and analysis using the tools from class. Presentations will take place during lecture on April 19th and articles must be submitted to me for approval by March 31st. Spaces for these presentations are limited and will be accommodated on a first-come-first-served basis.

Finally, although not explicitly part of the course grade, students are highly encouraged to participate in class discussions.

Academic Integrity: Students are expected to adhere to the standards of conduct outlined by the Georgetown Honor Code (www.georgetown.edu/honor). A student found by the Honor Council to be in violation of the Honor Code will receive an F for the course, in addition to any penalties imposed by the Honor Council.

Preliminary Outline (subject to change)

January 13 Course introduction
 Chapter 1, Trade in the Global Economy

Part One: Patterns of International Trade

January 20 Chapter 2, Trade and Technology: The Ricardian Model
January 25 (1) Krugman, Paul (1996) "Ricardo's Difficult Idea". Mimeo.
<http://web.mit.edu/krugman/www/ricardo.htm>

January 27 **Problem Set 1 Due**
 Chapter 3, Gains and Losses from Trade in the Specific-Factors Model

February 1 Chapter 4, Trade and Resources: The Heckscher-Ohlin Model
February 3

February 8 Empirical Evidence; International Trade and Income Inequality
 (1) Krugman, Paul (1993) "What Do Undergrads Need to Know about Trade?" *The American Economic Review* 83(2), Papers and Proceedings of the Hundred and Fifth Annual Meeting of the American Economics Association. JSTOR.
 (2) Kletzer, Lori (2001) "A Prescription to Relieve Worker Anxiety". Institute of International Economics, Policy Brief 1-2 (February, 2001). ERes.
<http://www.iie.com/publications/pb/pb.cfm?researchid=70>

February 10 **Problem Set 2 Due**
February 17 Chapter 5, Movement of Labor and Capital Between Countries
 (1) Peri, Giovanni (2006) "Immigrants, Skills and Wages: Measuring the Economic Gains from Immigration" *Immigration Policy IN FOCUS*, Immigration Policy Center, Volume 5 Issue 3.
www.econ.ucdavis.edu/faculty/gperi/reports/2006_skillswages_finalreport.pdf

Part Two: New Explanations for International Trade

February 22 Chapter 6, Increasing Returns to Scale and Imperfect Competition
 (1) Tybout, James R. (1993) "Internal Returns to Scale as a Source of Comparative Advantage: The Evidence" *The American Economic Review* 83(2), Papers and Proceedings of the Hundred and Fifth Annual Meeting of the American Economics Association. JSTOR.

February 24 **Problem Set 3 Due**
March 1 Chapter 7, Foreign Outsourcing of Goods and Services

March 3 **Midterm Exam**

Part Three: International Trade Policies

March 17 Chapter 8, Import Tariffs and Quotas under Perfect Competition
March 22

March 24 Chapter 9, Import Tariffs and Quotas under Imperfect Competition
March 29
March 31

April 7 **Problem Set 4 Due**
Antidumping measures
(1) Bhala, Raj (1995) "Rethinking Antidumping Law," 29 *George Washington Journal of International Law and Economics* Issue 1. Read pp. 1-21.

April 12 Chapter 10, Export Subsidies: Agriculture and High-Technology Industries
April 14

April 19 **Problem Set 5 Due**
"Trade in the media" presentations

April 21 The Political Economy of Trade Policy
(1) Baldwin, Robert. E. (1989) "The Political Economy of Trade Policy." *Journal of Economic Perspectives*, 3: 119-135. JSTOR.

April 26 Chapter 11, International Agreements: Trade, Labor and the Environment
April 28 (1) Suranovic, Steven. "International Agreements on Labor issues and International Agreements on the Environment"
<http://internationalecon.com/Trade/Tch100/T100-4.php>
(2) McAusland, Carol (2004) "Review: Trade and the Environment: Theory and Evidence by Brian R. Copeland and M. Scott Taylor," *Canadian Public Policy*, 30: 456-458. JSTOR.
(2) Copeland and Taylor (2004) "Trade, Growth and the Environment," *Journal of Economic Literature*, 42: 7-71. Read the introduction and the conclusion. JSTOR.

May 3 Wrap-up and review

May 10 **Final Exam (7-9PM)**