

Georgetown University, Department of Economics
Economics 542: International Trade
Fall 2010, Section 01: MW 5:40-6:55PM, White-Gravenor 202

Professor: Benjamin Mandel
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Office hours: ICC 552, MW 4:45-5:30PM
Course Site: <http://www.brmandel.com/teaching.html>

Course scope: This 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? If so, by 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 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 two 'principles' courses prior to enrollment.

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. Recommended, 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. Also recommended is Chad Bown's book, *Self-Enforcing Trade*, excerpts of which will be discussed in class.

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, FT, NYT or WSJ).

Grading: Course grades will consist of a midterm exam (30%), a final exam (50%) and an in-class presentation (20%). 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 80% of the course grade. The exams will require you to apply the economic models presented in class and in the textbook in an array of contexts. Grading will be based on how well you apply the models to analyzing the question at hand and not getting the "right" numerical answer per se. There will be five optional problem sets to guide your exam preparation (non-exhaustively).

Each student will be required to make a 10-minute presentation based on an article from the news media. The article should be germane to at least one topic that we will cover in class. The presentation should give equal weight to: (i) a summary of the facts of the issue, (ii) analysis using the tools from class, and (iii) an opinion on whether our trade theories are sufficient to explain what is being reported. The presentations will take place on November 15th and November 17th and I would advise clearing the article with me in advance.

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)

September 1 Course introduction
10 Facts about International Trade

Part One: Patterns of International Trade

September 6 **No class**, Labor Day

September 8 **No class**, to be rescheduled

September 13 Chapter 2, Trade and Technology: The Ricardian Model
(1) Krugman, Paul (1996) "Ricardo's Difficult Idea". Mimeo.
<http://web.mit.edu/krugman/www/ricardo.htm>

September 15 Chapter 3, Gains and Losses from Trade in the Specific-Factors Model

September 20 Chapter 4, Trade and Resources: The Heckscher-Ohlin Model
September 22

September 27 Chapter 5, Movement of Labor and Capital Between Countries
September 29

October 4 Empirical Evidence: Trade, Migration and Income Inequality
(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
(2) Kletzer, Lori (2001) "A Prescription to Relieve Worker Anxiety". Institute of International Economics, Policy Brief 1-2 (February, 2001).
<http://www.iie.com/publications/pb/pb.cfm?researchid=70>

Part Two: New Explanations for International Trade

October 6 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.

October 11 **No class**, Columbus Day

October 13 The Gravity Model
Implications for U.S. Export Competitiveness

October 18 Chapter 7, Foreign Outsourcing of Goods and Services
October 20 **Midterm Exam**

Part Three: International Trade Policies

October 25 Chapter 8, Import Tariffs and Quotas under Perfect Competition
October 27

November 1 Chapter 9, Import Tariffs and Quotas under Imperfect Competition
November 3

November 8 The WTO: history, impact and disputes
November 10

November 15 "Trade in the media" presentations
November 17

November 22 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.
November 24

November 29 Chapter 10, Export Subsidies: Agriculture and High-Technology Industries
December 1

December 6 Chapter 11, International Agreements: Trade, Labor and the Environment
December 8 Wrap-up and review

December 15 **Final Exam (7-9PM)**