

## International Economics: Trade (ECON-371)

Spring 2009

Time: Mondays and Thursdays, 11:20-12:35  
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Wednesdays, 2:30-3:30  
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 the world economy. 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 and the relationship between trade and environmental and labor standards.

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 Feenstra and Taylor, *International Trade* (Worth Publishers, First 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 20 and 23</i> ) | 20% |
| Midterm ( <i>March 5</i> )                        | 30% |
| Final Exam ( <i>May 4</i> )                       | 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 20 or 23. 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. 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 also be announced in class and posted on the blackboard site. I will collect your answers following our discussion. ***I will not accept late answers or answers from those who are unable to attend class.*** Although your answers are not graded, your class participation grade will be determined by your submission of these answers and 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* Jan. 12  
Chapter 1

***Martin Luther King Day (Class Cancelled)*** Jan. 19

II. *Theoretical Models of Trade and Trade Patterns* Jan. 15-Feb. 23

- A. Trade and Technology: The Ricardian Model  
Chapter 2
- B. Gains and Losses from Trade in the Specific-Factors Model  
Chapter 3
  - \* Richard B. Freeman, “Are Your Wages Set in Beijing,” *Journal of Economic Perspectives*, Summer 1995, 9(3): 15-32.
- C. Trade and Resources: The Heckscher-Ohlin Model  
Chapter 4
- D. Increasing Returns to Scale and Imperfect Competition  
Chapter 6

III. *Trade in Factors of Production and Outsourcing* Feb. 22-March 2

- A. Movement of Labor and Capital Between Countries: Migration  
Chapter 5

- \* 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.

B. Foreign Outsourcing of Goods and Services  
Chapter 7

**Midterm**

**March 5**

**Spring Break**

**March 9-12**

IV. *International Trade Policies*

*March 16-April 9*

- A. Import Tariffs and Quotas Under Perfect Competition  
Chapter 8
- B. Import Tariffs and Quotas Under Imperfect Competition  
Chapter 9
  - \* Joseph E. Stiglitz, “Dumping on Free Trade: The U.S. Import Trade Laws,” *Southern Economic Journal*, October 1997, 64(2): 402-424.
- C. Political Economy of Trade Protection
  - \* 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.
- D. Multilateral and Regional Trade Agreements  
Chapter 11, pp. 391-406
  - \* Andrew Rose, “Do We Really Know that the WTO Increases Trade,” *American Economic Review*, 2004, 91(1): 98-114.
  - \* Anne O. Krueger, “Are Preferential Trading Arrangements Trade-Liberalizing or Protectionist,” *Journal of Economic Perspectives*, 1999, 13(4): 105-124.
- E. Export Subsidies  
Chapter 10

V. *Trade, Labor and the Environment*

*April 13-16*

- Chapter 11, pp. 406-432
  - \* 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 20-23**

VI. *Conclusion*

*April 27*

**Final (May 4, 11:20-1:50)**