Course Description

What are the questions that the study of international trade addresses?

Why do countries trade?
What determines which goods a country will import and which will be exported?
Who gains from trade? Who is harmed by trade?
Why do wages differ across countries? How does trade affect wages?
Why do certain groups within a country clamor for governmental protection while many economists stress the benefits of free trade?
Why was the 1988 Canadian election so controversial?
Why was NAFTA so controversial?
Why is international trade different from trade between people within a country?

Throughout this term we will develop models, very simple ones at first, to try to ascertain the answers to these questions. We will find that different models will be better suited to some issues than to others. The ultimate objective is to learn how to analyze past, present, and future events in the international arena in a systematic and logical fashion.

We will begin by using simple concepts and build upon these as we progress through the semester. To encourage you to become comfortable with each stage of the development of these models, problem sets will be assigned throughout the term. In addition, you will be given the opportunity to show your ability to apply these concepts to international trade issues on four hour exams. Each exam will be cumulative, although most emphasis will be placed on the most recent material.
Course Information

Textbooks


Course Requirements

Readings

All readings on this list are required. In addition, it is strongly recommended that you read the *New York Times* or the *Wall Street Journal* on a daily basis.

Problem Sets, Exams, and Grading

There will be numerous problem sets during the semester. As a whole the problem sets will count as 10% of your grade.

In addition, there will be four hour exams. You may drop any one of these exams except the last. Each exam will be worth 30% of your grade. The last hour exam will be held on the date that the class final exam is scheduled. No make-up exams will be given.

The Final Exam is Scheduled for:

Thursday, May 4 at 3:30pm-6:30pm  (the last hour exam will be given at this time)
Course Outline and Reading List

I. The Basic Trade Model
   1. Introduction
   2. The Gains from Trade - A Simple Model
   3. Production and Expanded Gains from Trade
   4. Applications of the Basic Trade Model

II. Patterns of International Trade and the Distribution of Income
   1. Trade due to Technological Differences across Countries
   2. Increasing Costs, Specific Factors, and Trade
   3. Trade due to Factor Endowment Differences across Countries
   4. Multicommodity Trade
   5. Trade in Intermediate Goods
   6. International Factor Movements and Multinationals

III. The Theory and Practice of Commercial Policy
   1. Trade Controls in Practice
   2. Tariffs and the National Welfare
   3. The Political Economy of Tariffs
   4. Trade Policy and Imperfect Competition
   5. Preferential Trading Arrangements

Reading

Ch. 1
Ch. 2
Ch. 3
Ch. 4
Ch. 5
Ch. 6
Ch. 7
Ch. 8
Ch. 9
Ch. 10
Ch. 11
Ch. 12
Ch. 13
Ch. 14
Ch. 15

Final Exam - May 4, Thursday, 3:30-6:30pm