

Economics 4413  
International Trade  
Summer 2012

**Professor:** Billy Mertens  
**Office:** ECON 12  
**E-mail:** [mertens@colorado.edu](mailto:mertens@colorado.edu)  
**Web:** <http://spot.colorado.edu/~mertens>  
**Office Hours:** M 3:15-4pm and R 10:30-11:45am.

**Course Description:**

In this course, we will study the theories, policies, and institutions of international trade. We will study these aspects of international trade at a fairly abstract and rigorous level. Although the analysis will be largely graphical in nature, the course materials and lectures will employ some mathematics. Among the issues that will be addressed are: (1) the fundamental determinants of the patterns of trade and the gains from trade; (2) the implications of imperfect competition for trade patterns and welfare; (3) how firms of different sizes and productivities engage in trade; (4) the effects of trade and investment barriers; (5) the rationale for regional free-trade agreements and multilateral trade rules; and (7) the role of international capital and labor movements. The economic, political, and social forces underlying many of the issues involved in international trade are complex, multi-faceted, and dynamic. They cannot be fully or easily analyzed in a professional lifetime, much less a one-semester course. They do, however, lend themselves extremely well to critical thinking and rational inquiry, which are the guiding principles of this course. Our goal is to become and remain informed about issues related to international trade and, even more importantly, acquire the ability to think about complex issues in a logical objective manner. Thinking critically is what permits us to differentiate between the illogical and the sensible, between the misleading use of statistics, misleading anecdotal evidence, and the reasonable presentation of information.

**Prerequisites:**

Students must have completed ECON 3070. It is NOT sufficient to take these courses concurrently. I assume that you did not only take the class, but also that you understand and remember the content. The prerequisites must be strictly enforced.

**Readings:**

We will be using Markusen and Maskus, *International Trade: Theory and Evidence*, Wiley Publishers, 2012. Note that this book is not yet in print. Professor Markusen has been kind enough to have the CU bookstore duplicate and bind chapters 1-20 for us, which are on sale there at cost: no fees or royalties are being collected.

**Exams:**

There will be three exams. Exams are not cumulative, but the material does build on itself so it is important to understand all of the concepts as we go. **Exams will be given in class on the days listed. Note that the exam dates below are not tentative – exams will be given in class on the days listed. NO EXAMS WILL BE DROPPED!!**

**Grading:**

Participation and discussion	10%*
Exam 1: Friday, May 18 <sup>th</sup>	31%
Exam 2: Friday, May 25 <sup>th</sup>	33%
Exam 3: Friday, June 1 <sup>st</sup>	36%

**Grading Disputes:**

**If you have a dispute on a test, then you must put your issue in writing and submit it to me. Subsequently, your entire exam will be regraded. Do NOT email me about a grading dispute – grades cannot be discussed over email and I cannot respond to any grading questions over email!**

**Incompletes, Extra Credit, etc.:**

I adhere strictly to the University guidelines on Incompletes (“An IF is given only when students, *beyond their control*, have been unable to complete course requirements. A substantial amount of work must have been *satisfactorily completed* before approval for such a grade is completed.”). Economics department policy prohibits IWs. Bad grades, unsatisfactory performance, too many credit hours, work conflicts, etc. are not reasons for an incomplete.

**I am adamant about giving each student an equal opportunity to perform well in the course, so there will be no extra credit opportunities that are not offered to the entire class. You should focus your efforts on learning the material and doing well on the exams.**

**Tentative Course Schedule:**

**Many sections of the new book are advanced and written more for master’s and MBA students. Therefore, we will skip some sections; these sections will be announced in class. Students are responsible for all announcements made in class. I will not be continually updating the website with announcements, etc.**

**PART I: TECHNICAL TOOLS AND THE GAINS FROM TRADE**

In this part of the course, we develop and review basic tools of microeconomic theory that we will use throughout the course.

**1. Supply and Production Possibilities**

MM chapter 2

**2. Preferences, Demand, and Welfare**

MM chapter 3

**3. General Equilibrium in Open and Closed Economies**

M chapter 4

**4. The Gains from Trade**

MM chapter 5

## **PART II: DETERMINANTS OF TRADE**

This section analyzes the different underlying causes of international trade and the gains from trade.

1. Differences in Technology between Countries.

MM, chapters 6 and 7

2. Differences in Factor Endowments between Countries.

MM chapters 8 and 9

3. Distortions and Externalities as Determinants of Trade.

MM chapter 10

4. Imperfect Competition and Increasing Returns I: oligopoly

MM chapter 11

5. Imperfect Competition and Increasing Returns to Scale II: monopolistic competition

MM chapter 12

6. Trade Costs

MM chapter 13 (we might skip this chapter)

7. Demand Determinants of Trade

MM chapter 14 (we will likely skip this chapter)

## **PART III: FACTOR TRADE AND DIRECT FOREIGN INVESTMENT**

This section of the course looks at trade in factors of production and direct foreign investment by multinational firms.

1. Trade in Factors of Production

MM chapter 15

2. Direct Foreign Investment and Multinational Firms

MM chapter 16

3. Fragmentation, Offshoring, and Trade in Services

MM chapter 17 (might skip this chapter)

## **PART IV: TRADE POLICY**

The final part of the course analyzes the principal tools that governments use to influence trade. We analyze the effects of the policies and try to understand the reasons that governments choose the policies they do.

1. Tariffs

MM Chapter 18

2. Quotas  
MM chapter 19

3. Strategic Trade Policy  
MM chapter 20

4. Preferential Trade Areas  
MM chapter 21 and/or class notes

5. The Political Economy of Trade Policy  
MM chapter 22 and/or class notes

**Some Additional Policies:**

*Material from a Missed Lecture:* If you miss a lecture-based class, you are responsible for obtaining notes from a classmate and reading the relevant material in the textbook. I encourage you to come to my office hours to discuss the material you missed, but only after you have reviewed the relevant material and prepared specific questions.

**Grading Scale:**

<u>Your score</u>	<u>Grade</u>
92% to 100%	A
90% to 91%	A-
88% to 89%	B+
82% to 87%	B
80% to 81%	B-
78% to 79%	C+
72% to 77%	C
70% to 71%	C-
68% to 69%	D+
62% to 67%	D
60% to 61%	D-
Below 59.5%	F

**Additional Notes:**

*Honor Code*

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ([honor@colorado.edu](mailto:honor@colorado.edu); 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Additional information on the Honor Code can be found at

<http://www.colorado.edu/policies/honor.html> and at  
<http://www.colorado.edu/academics/honorcode>

#### *Disabilities*

If you qualify for accommodations because of a disability, please submit a letter to the instructor from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, or  
[www.Colorado.EDU/disabilityservices](http://www.Colorado.EDU/disabilityservices)

#### *Religious holidays*

A comprehensive calendar of the religious holidays most commonly observed by CU-Boulder students can be found at <http://www.interfaithcalendar.org/> Review this list and the class syllabus. After reviewing the syllabus, please see the instructor if you believe that you need an accommodation for religious reasons. The instructor should be notified within the first two weeks of classes. Campus policy regarding religious observances states that faculty must make *reasonable* accommodation for them and in so doing, be careful not to inhibit or penalize those students who are exercising their rights to religious observance. For more information see [http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)

#### *Code of Behavior*

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at [http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student\\_code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)

#### *Policy on Sexual Harassment*

The University of Colorado Policy on Sexual Harassment applies to all students, staff and faculty. Sexual harassment is unwelcome sexual attention. It can involve intimidation, threats, coercion, or promises or create an environment that is hostile or offensive. Harassment may occur between members of the same or opposite gender and between any combination of members in the campus community: students, faculty, staff, and administrators. Harassment can occur anywhere on campus, including the classroom, the workplace, or a residence hall. Any student, staff or faculty member who believes s/he has been sexually harassed should contact the Office of Sexual Harassment (OSH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the OSH and the campus resources available to assist individuals who believe they have been sexually harassed can be obtained at:  
<http://www.colorado.edu/sexualharassment/>