

**University of Colorado
Department of Economics**

**Economics 4413: International Trade
Term B, Summer 2010**

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Lecture time: 9:15-10:50, M-F
Lecture location: HLMS 267

Course Description and Pre-requisites

This course will analyze the causes and consequences of international trade and investment. We will investigate why nations trade, what they trade, and who gains from this trade. We will then analyze the motives for countries or organizations to restrict or regulate international trade and study the effects of such policies on economic welfare.

Although the course will emphasize the understanding of past and current events in the world economy, we will rely on formal economic modeling to help us understand these events. We will therefore extensively use micro-economic tools that you have learned in your introductory microeconomics classes. Econ 3070 (Intermediate Microeconomic Theory) is a prerequisite for this course. It is important that you not only be familiar with these tools and models, but that you also feel comfortable using and manipulating them.

Textbook

Required text: Feenstra, Robert and Alan Taylor, International Trade, 1st Edition, Worth Publishers, 2008.

Also available as, International Economics, 1st Edition

Other Useful Text: Krugman, Paul, and Maurice Obstfeld, International Economics: Theory and Policy, Any Edition, Addison Wesley.

Evaluation

Every Friday there will be a formal assessment. In particular, every Friday in July there will be a quiz, which will take up the last 45 minutes of the class period. The lowest score of the four quiz

grades will be dropped in the calculation of the final grade. There will be a comprehensive final exam on the last day of class, August 6th.

Class participation is valuable not only for the individual participating but also for the rest of the class that benefits from the questions asked or answers provided. Therefore, attendance will be taken every day in class. Students that participate frequently will be given the benefit of the doubt when their exam scores are border line.

Quizzes	40%
Class participation	10%
Final Exam	50%

We will have an extensive review period prior to the final exam and a practice exam will be made available one week before the final.

Course Outline and Reading List

In the course outline presented below, the readings in the textbook are abbreviated “F-T.” Non-textbook readings will be made available on the course webpage. Other readings concerning current events may be posted on the course webpage from time to time. You will be responsible for all material posted on the course webpage.

1. Introduction

Goal: To obtain a broad overview of International Trade topics

Readings:

- F-T, Chapter 1

2. Comparative Advantage.

Goals:

- (1) Develop theories to
 - Observe how general equilibrium models inform economic thought
 - Understand how country differences create gains from trade.
 - Analyze how trade affects the distribution of income.
- (2) Learn how to assess the validity of economic models

Readings: F-T, Chapter 2 (pp. 29-47) and Handout
F-T, Chapter 3
F-T, Chapter 4

3. Multinational Firms and Immigration

Goals: Develop theories to

- Understand why some firms move production overseas
- Analyze the effects of multinationals’ activities on the distribution of income
- Analyze the effect of immigration on the distribution of income

Readings: F-T, Chapter 5
Markusen, "The Boundaries of Multinational Enterprises and the Theory of International Trade," *Journal of Economic Perspectives*, 1995.

4. Outsourcing

Goals:

- Understand what is meant by outsourcing
- Learn how outsourcing differs from other features of globalization

Reading: F-T, Chapter 7 (pp. 227-251 only)

5. Increasing returns to scale & Imperfect Competition

Goals:

- Analyze how trade affects market power
- Analyze the effects of trade on productivity
- Explain why very similar countries, such as the U.S. and Canada, trade so much.
- Understand why trade with Canada is less controversial than trade with Colombia

Reading: F-T, Chapter 6 (pp. 185-201 only)

6. Trade Policy

Goals:

- Learn the types of policies that governments use to affect international trade
- Show how these policies affect trade
- Analyze how these policies affect welfare
- Investigate the conflicts that arise between countries

Readings: F-T, Chapter 8
F-T, Chapter 9
Hansen and Prusa, "Does Administered Protection Protect?" *Cato Review of Business and Government*, 2000
F-T, Chapter 10 (pp. 355-372)

7. The Political Economy of Trade Policy

Goals:

- Connect economic theory to politics
- Analyze how do political factors affect trade policy?

Reading: Baldwin, "The Political Economy of Trade Policy," *Journal of Economic Perspectives*, 1989.

8. International Trade Agreements.

Goals:

- Understand the reason for the existence of the World Trade Organization (WTO)

- Explain why the WTO is set up the way that it is
- Analyze the successes and failures of the WTO

Readings: F-T, Chapter 11 (pp. 391-406 only)

Tentative Schedule of Readings

Week 1: Chapters 1, 2, and Handout
Week 2: Chapters 3 and 4
Week 3: Chapters 5, 7, and Markusen article
Week 4: Chapters 6, 8, Hansen & Prusa article, and Chapter 9
Week 5: Chapter 10, Baldwin article, and Chapter 11