

ECONOMICS 3613

INTERNATIONAL TRADE

Fall 2006

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Hester Hall 310

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Office Hours: Dinsdag: van 18.00 uur tot 19.00 uur

en Donderdag: van 18.00 uur tot 19.00 uur

Textbooks: Dennis R. Appleyard and Alfred J. Field, Jr., International Economics, 5th ed., Irwin McGraw-Hill.

John H. Jackson, The World Trading System: Law and Policy of International Economics Relations, 2nd edition, MIT Press, 1997.

The books are recommended, but not required. I draw material from many sources, some of which are listed below.

The course is designed to explain why international trade takes place, and to discuss its consequences for the level and distribution of national income. Explanations for the existence of trade barriers are introduced. Trade barriers are compared in the context of various market structures. Attention will be given to unfair trade practices as the "New Protectionism". Classical models of trade will be compared with the newer models that are based upon strategic firm interaction. Recent issues, such as, trade and the environment, the contribution of preferential trading areas to free trade, and intellectual property will be considered as time permits.

Students will be evaluated on the basis of three examinations, and occasional homework assignments. Exams will be given during 5th, the 10th week and final exam weeks of the semester. Make up exams for midterms are not given. Weights are adjusted accordingly if one is missed. Exams are noncumulative, unless both midterms are missed. I reserve the option to impose a cumulative final if it appears that a student is deliberately missing all of the classes before one midterm to avoid responsibility for the pertinent material. Students are expected to be conversant with standard microeconomic theory. I am serious about this requirement. In general, students not having this facility will have difficulty getting more than a C in this course.

I request that students turn cell phones off upon entering the classroom. Anyone not doing so will be subject to penalties.

Topics

- I. The Ricardian Model of absolute and relative comparative advantage:
A&F Ch. 2-4. Figure 1 page 35

- II. The Heckscher-Ohlin-Samuelson Model: A&F Ch. 5,8. Figure 1 page 65, Figure 2 page 66, Figure 3 page 67, Figure 4 page 68, Figure 5 page 70, Figure 6 page 72, Figure 7 page 73, Figure 8 page 74, Figure 9 page 76, Figure 11 page 78, Figure 9 page 138, Figure 10 page 139, and Figure 11 page 141.
 - III. Intraindustry Trade (Lancaster, Krugman, Linder, and Vernon Models): A&F Ch. 10. Figure 1 page 172.
 - IV. HOS Model (Stolper, Samuelson, Factor Price, Equalization, and Rybczynski Theorems): A&F Ch. 8. Figure 1 page 128, Figure 6 page 133.
 - V. Gains From Trade in HOS Model: A&F Ch. 6. Figure 1 page 86, Figure 2 page 87, Figure 3 page 89, Figure 5 page 91, Figure 6 page 93, Figure 7 page 94.
 - VI. Trade Restrictions (Tariffs, Subsidies, and Quotas): A&F Ch. 13, 14, 16. Figure 1 page 271, Figure 2 page 272, Figure 3 page 272, Figure 4 page 275, Figure 5 page 277, Figure 6 page 278, Figure 7 page 280, Figure 9 page 282, Figure 10 page 283, Figure 20 page 302, McCulloch (CJE 1973).
 - VII. World Trade Organization and US Institutions That Implement Trade Policy: Jackson Ch. 6, 7, 8, 10, 11.
 - VIII. Dumping: A&F Ch. 15.
 - IX. Preferential Trading Areas: A&F Ch. 17. Figure 1 page 380, Figure 2 page 381.
 - X. Trade and the Environment: Grossman and Helpman (AER 1994)
1. R. McCulloch, "When are a Tariff and a Quota Equivalent," Canadian Journal of Economics, 1973.
 2. R.E. Falvey, "The Composition of Trade within Import Restricted Product Categories," International Economic Review, 1979.
 3. K. Lancaster, "Intraindustry Trade under Perfect Monopolistic Competition," Journal of International Economics, 1980.
 4. P. Krugman, "Intra-Industry Specialization and the Gains from Trade," Journal of Political Economy, 1981.

5. W.J. Ethier, "Dumping," Journal of Political Economy, 1982.
6. T.J. Prusa, "Why Are So Many Antidumping Petitions Withdrawn," Journal of International Economics, 1992.
7. R.W. Staiger and F. Wolak, "The Effect of Domestic Antidumping Law in the Presence of Foreign Monopoly," Journal of International Economics, 1992.
8. K. Bagwell and R.W. Staiger, "The Role of Export Subsidies when Product Quality is Unknown," Journal of International Economics, 1989.
9. J.A. Brander and B.J. Spencer, "Export Subsidies and International Market Share Rivalry," Journal of International Economics, 1985.
10. G.M. Grossman and E. Helpman, "Protection for Sale," American Economic Review, 1994.
11. K. Bagwell and R.W. Staiger, "Domestic Policies, National Sovereignty, and International Economic Institutions," Quarterly Journal of Economics, 2001.