

BROWN UNIVERSITY
DEPARTMENT OF ECONOMICS
SAMPLE SYLLABUS FOR
INTERNATIONAL TRADE

“No nation was ever ruined by trade”—B. Franklin

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Economics 154

Section 1

Spring 2006

Class Website: @WebCT

Teaching assistant: Sheetal Sekhri

PRE-REQUISITE

EC 111 or 113.

GOALS

The goal of this class is to understand three main issues: (i) the pattern of international trade; (ii) the effect of trade on income distribution; and (iii) the effect of trade policy on a country's welfare. The class will use two integrated approaches. First, it will develop several theoretical models of international trade. The models will provide a framework to think about international trade problems. Second, the class will present important contemporary debates on issues such as globalizations, strategic trade, agricultural subsidies, NAFTA and other trade agreements, the work of the WTO, etc. Readings on these issues will form the basis for class discussions.

ASSESSMENT

75% of the grade: Exams. There will be three exams. The exams are individual, will be done in class, with closed books, and according to the following schedule: **Exam 1:**

Friday, February 24; Exam 2: Friday, March 24; Exam 3: Friday, April 28.

15% of the grade: Problem sets, which will be assigned in class.

10% of the grade: Class participation. I expect class participation from students throughout the semester. An outstanding participant will routinely voice good comments, and always be on time for class. A good participant will occasionally express insightful comments, and be on time for class. I expect you all to be good or exceptional participants.

REQUIRED READINGS AND RESOURCES

1. Required: Textbook and Study Guide: Krugman, Paul and Maurice Obstfeld, International Economics: Theory and Policy, 7th edition. (Addison Wesley).
2. Special Readings and web pages will be posted in WebCT.
3. If you ordered the student access kit (which is not required) and want to use the textbook's companion website, <http://www.myeconlab.com/krugman/>, please refer to the following course ID: **carkovic45693**

SUGGESTED CLASS PLAN

Please note that the quiz, web-applications, and e-Theme may be accessed by going to <http://www.myeconlab.com/krugman/>, clicking on “Enter website” and on “Student resources”. The lectures and articles for class discussion are in WebCT.

Chapter 1

Lecture: Introduction

Quiz: questions 1 through 7

Textbook: all questions

Web-applications: None

e-Theme: CA deficit in the US

Article for class discussion: Trade Bounty, The Economist, 12/2/04

Chapter 2

Lecture: The Gravity Model & Changing Patters of Trade

Quiz

Study Guide: all problems

Textbook: all problems

Web-applications: Do “Changing Composition of Trade”

e-Theme: China in Africa

Articles for class discussion:

S. Edwards, How Chile Can Make the Most of its US Trade Deal, WSJ 1/3/03, in

http://www.anderson.ucla.edu/faculty/sebastian.edwards/TheWallStreetJournal_Chile2003.pdf

Frankel, Jeffrey and E. Cavallo, Trade Openness Reduces Financial Vulnerability, in www.nber.org/digest/jul05/w10957.html

Sala-i-Martin, Xavier, Economic Growth is Reducing Global Poverty, in www.nber.org/digest/oct02/w8933.html

Wei, Shang-Jin and Y. Wu, Globalization Reduces Inequality in China, in www.nber.org/digest/mar02/w8611.html

Hanson, Gordon, Globalization and Poverty in Mexico, in www.nber.org/digest/apr05/w11027html

Chapter 3

Lecture: The Ricardian model

Quiz

Study Guide: all questions

Textbook: all questions

Web-applications: Do “Comparative Advantage”, year 2000. Add Saudi Arabia and Chile.

e-Theme: US Food Imports

Articles for class discussion:

Faster, cheaper, better, The Economist, 11/11/04

A world of opportunity, The Economist, 11/11/04

Paul Krugman “Reckonings: Hearts and Heads”, the NY Times, 4/22/01

Paul Krugman “Wal-Mart excuses”, the NY Times, 12/12/05

Edmonds, Eric & N. Pavcnik “ Globalization reduces child labor in Vietnam”, in

www.nber.org/digest/jul02/w8760.html

Chapter 4

Lecture: The Heckscher–Ohlin Model

Quiz

Study Guide: all questions

Textbook: all questions

Web-applications: Do “Relative Prices and Distribution of Income”

e-Themes: It’s not New Jobs

Ford and GM

Articles for class discussion:

Hanson, Gordon “What happened to wages in Mexico since NAFTA?, in

www.nber.org/digest/sept03/w9563.html

The Caribbean, The Economist 9/22/05

Trouble in Paradise, The Economist 11/21/02

Chapter 5

Lecture: The Standard Trade Model

Quiz

Study Guide: all questions

Textbook: skip section in pages 97-98

Textbook: all questions

Web-applications: Effects of a Tariff

Terms of Trade

e-Theme: China

Articles for class discussion:

Sokoloff, K. et.al. “Global links raise Asian countries’ productivity” in

www.nber.org/digest/aug02/w8894.html

Chapter 6

Lecture: Economies of Scale & Imperfect Competition

Quiz

Study Guide: all problems

Textbook problems: All problems. Please note that answer to problem No. 3 (provided in the study guide) is wrong.

Web-applications: Illusionary intra-industry trade

e-Theme: Piracy in China

Articles for class discussion:

Friedman, Thomas “Losing our edge”, NY Times, 4/22/04

Friedman, Thomas “The great Indian dream”, NY Times 3/11/04

Romer, Paul, “It is all in your head”

To These the Spoils, The Economist, 5/9/02

Roots of development, The Economist, 1/3/02

Poverty’s chains, The Economist, 10/9/03

Chapter 7

Lecture: Immigration & capital movements

Quiz

Study Guide: All problems except No. 3

Textbook problems: All problems except No. 6

Web-applications: Immigration 2

e-Theme: Do these before class

What unions can gain from immigration

Bush plan on immigration

Articles for class discussion:

Borjas, G. & L. Katz “The evolution of the Mexican workforce in the US”, NBER

Digest, December 2005, in

<http://www.nber.org/digest/dec05/w11281.html>

Brown, D, A. Deardorff & R. Stern “Multinationals, wages & working conditions in developing countries”, NBER Digest, October 2003, in

<http://www.nber.org/digest/oct03/w9669.html>

The brain drain cycle, The Economist, 12/8/05

On the border, The Economist, 5/19/05

Dreaming of the other side of the wire, The Economist, 3/10/05

A price worth paying, The Economist, 5/30/02

Opening the door, The Economist, 10/31/02

The longest journey, The Economist, 10/31/02

A modest contribution, The Economist, 10/31/02

Footloose firms, The Economist, 5/25/04

Chapter 8

Lecture: Trade Policy

Quiz

Study Guide: All problems

Textbook problems: All problems. Correct question 6: Cost of components = \$30

Web-applications: Tariffs

e-Theme: Textile Quotas

Articles for class discussion:

Europe's farm follies, The Economist, 12/8/05

Farm support's deep roots, The Economist, 6/22/05

Stuck with the second best, The Economist, 11/12/05

Chapter 9

Lecture: Protection, Free trade & the WTO

We will skip section on political economy, pp 217-221 in textbook.

Quiz

Study Guide: All problems except No. 4

Textbook problems: All problems except Nos. 4 & 8

Web-applications: Falling tariffs

The importance of services

e-Theme: Bush accuses Vietnam

Free trade debate in Australia

Articles for class discussion:

The World Bank, Tightening TRIPS, Trade Note No.20, in

<http://siteresources.worldbank.org/INTRANETTRADE/Resources/Pubs/TradeNote20.pdf>

Hard talk on soft wood, The Economist, 9/8/05

Falling out of favor, The Economist, 5/26/05

The CAFTA conundrum, The Economist, 6/16/05

In the rough, The Economist, 11/3/05

Nothing's free in this world, The Economist, 8/4/05

Is there any point in the WTO?, The Economist, 8/4/05

Ten years on NAFTA, The Economist, 12/30/03

Falling out of love, The Economist, 8/4/05

Not at your service, The Economist, 3/10/05

Do despair, The Economist 7/8/05

Chapter 10

Lecture: Trade policy in developing countries

Quiz:

Study Guide: All problems except 1, 5 & 6

Textbook problems: All problems

Web-applications: Trade/GDP

Chile

East Asia

e-Theme: US will cut farm subsidies

China agrees to phase out tax on imported chips

Articles for class discussion:

Tim Harford "Yes, we have bananas. We can't ship them", NY Times, 12/16/05

The harnessing of nature's bounty, The Economist 11/3/05

The great divide, The Economist, 3/3/05

World Bank and IMF, Aid for trade, in

<http://siteresources.worldbank.org/INTRANETTRADE/News%20and%20Events/20566442/AidforTrade-CompetitivenessandAdjustment.pdf>

Chapter 11

Lecture: Trade controversies

Great case studies: When the Chips were up

The shipbreakers of Alang

Quiz

Study Guide: all problems

Textbook problems: all problems except No. 9

Web-applications: De-industrialization in the US

e-Theme: India sees backlash fading over boom in outsourcing

Articles for class discussion:

Grinding the poor, The Economist, 9/27/01

Nose to nose, The Economist, 6/23/05

An ill-times spat, The Economist, 3/23/05

Industrial metamorphosis, the Economist, 9/29/05

Frankel, Jeffrey & A. Rose “Is Trade good or bad for the environment?” NBER Digest, Nov. 2002, in <http://www.nber.org/digest/nov02/w9021.html>