

INTERNATIONAL TRADE

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

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Economics 154

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Class Website: @MyCourses

Office Hours: Tuesdays, 11AM-noon and by appt.

PRE-REQUISITE

EC 1110 or 1130.

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 globalization, strategic trade, agricultural subsidies, NAFTA and other trade agreements, the work of the WTO, etc.

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: Tuesday, October 2; Exam 2: Thursday, Nov. 1; Exam 3: December 14, 9 AM.**

10% of the grade: Problem sets, which will be assigned in class.

15% of the grade: Group Project. Presentation dates: **December 4 and 6.** I will distribute

a separate note on the substance and form of group projects.

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 MyCourses.

Academic Conduct Statement

Your conduct in this course is governed by the [Brown Academic Conduct Code](http://www.brown.edu/Administration/Dean_of_the_College/academic_code/code.html), http://www.brown.edu/Administration/Dean_of_the_College/academic_code/code.html.

CLASS PLAN

Please note that the lectures, articles for class, and problem sets are posted in MyCourses. Also, the quiz, web-applications, and e-Theme may be accessed by going to “My EconLab” link in MyCourses. Click on “Student resources”.

Chapter 1: Introduction

Material to read: Textbook chapter 1

Articles: Trade Bounty, the Economist, 12/2/04

In the steps of Adidas, the Economist, 2/8/07

Material to help you study:

My Econlab exercises:

Quiz: questions 1 through 7

Material due: Problem set 1

Chapter 2: The Gravity Model & Changing Patters of Trade

Material to read: Textbook chapter 2

Articles:

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

Material to help you study:

Textbook: all questions

Study Guide: all questions

My Econlab exercises:

Quiz

Web-applications: Do “Changing Composition of Trade”

e-Theme: China in Africa

Material due: Problem set 2

Chapter 3: The Ricardian Model

Material to read: Textbook chapter 3

Articles:

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

Material to help you study:

Textbook: all questions

Study Guide: all questions

My Econlab exercises:

Quiz

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

Material due: Problem set 3

Chapter 4: The Heckscher–Ohlin Model

Material to read: Textbook chapter 4

Articles:

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

Blinder, Allan: “Free Trade’s Great But Off-shoring Rattles Me”, Washington Post, 5/8/07, in <http://www.washingtonpost.com/wp-dyn/content/article/2007/05/04/AR2007050402555.html>

Greg Mankiw’s blog on the subject, in <http://gregmankiw.blogspot.com/2007/05/blinder-on-offshoring.html>

Material to help you study:

Textbook: all questions

Study Guide: all questions

My Econlab exercises:

Quiz

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

Material due: Problem set 4

Chapter 5: The Standard Trade Model

Material to read: Textbook chapter 5, except for pages 97-98

Article:

Sokoloff, K. et.al. “Global links raise Asian countries’ productivity” in www.nber.org/digest/aug02/w8894.html

Material to help you study:

Study Guide: All problems except No. 3
Textbook problems: All problems except No. 6
My Econlab exercises:
Quiz
Web-applications: Immigration 2

Material due: Problem set 7

Chapter 8: Trade Policy

Material to read: Textbook chapter 8

Articles
Europe's farm follies, The Economist, 12/8/05
Insatiable, The Economist, 5/10/07
Stuck with the second best, The Economist, 11/12/05

Material to help you study:

Study Guide: All problems
Textbook problems: All problems. Please correct question 6: Cost of components = \$30
My Econlab exercises:
Quiz
Web-applications: Tariffs

Material due: Problem set 8

Chapter 9: Protection, Free trade & the WTO

Material to read: Textbook chapter 9. Note that we will skip section on political economy, pp 217-221 in textbook.

Articles:

Trefler, Daniel, The Long and Short of the Canada-US FTA, AER, Sept. 2004
<http://www.atypon-link.com/AEAP/doi/pdf/10.1257/0002828042002633>
The World Bank, Tightening TRIPS, Trade Note No.20, in
<http://siteresources.worldbank.org/INTRANETTRADE/Resources/Pubs/TradeNote20.pdf>
Postdam's price. The Economist, 6/28/07
In the rough, The Economist, 11/3/05
Do despair, The Economist 7/8/05

Material to help you study:

Study Guide: All problems
Textbook problems: All problems except Nos. 4 & 8
My Econlab exercises:
Quiz
Web-applications: Falling tariffs
The importance of services
e-Theme: Bush accuses Vietnam

Material due: Problem set 9.

