

ECON 373: International Trade Theory and Policy

Instructor: Syed Al-Helal Uddin

Fall 2018

Department of Economics
CSB/SJU

E-mail: suddin001@csbsju.edu

Office Hours: 3:30 - 4:30 PM

Office: Main # 335 (CSB)

Web: syedalhelaluddin.weebly.com

Class Hours: MWF 2:10 – 3:05 PM.

Class Room: Main # B105

Course Description

This course will examine the causes and consequences of international trade and investment. We will investigate why nations trade, what they trade, and who gains from international trade. We will explore the effects of trade on economic growth and wage inequality, and discuss the role of multinational corporations, foreign direct investment and international migration. Finally, we will analyze countries' motives for regulating international trade and the effects of such policies on economic welfare.

The aim of the class is to give students the tools necessary to read critically and understand discussions of past and current events in the world economy found in popular media such as The Economist, The Wall Street Journal and the Financial Times. To that end, we will study selected basic models in international trade, discuss their practical relevance, and apply them to questions of current interest to policy makers, business leaders and the general public.

Learning Objectives

By the end of this course, students should understand the concept of comparative advantage and the gains from trade, understand what determines the pattern of trade, and be able to outline the costs, benefits, and impact on income distribution of different instruments of trade protection. They should understand the political economy of protection, and the role and limitations of the World Trade Organization. They should be able to explain the effects of free trade areas (trade creation and trade diversion), and of factor mobility. Students should be able to apply the analytical toolbox of trade theory to real world situations in order to make qualitative predictions of the effects of measures such as tariffs or export subsidies. They should be able to locate, manipulate, and interpret numerical data on trade flows, and to empirically test the predictions

of simple theories of trade using real-world data. Students should be able to write up the results of their research in a report, using a standard academic formatting style (APA Style).

Course Prerequisites

ECON 332, 333 334. If you decide to take this class, I will assume this to be the case. I will also assume familiarity with basic algebra and calculus.

Required Readings

- **Textbook:** *International Economics by Krugman, Obstfeld and Melitz*, 10th Edition.

The textbook is required for this course and is available at the University Bookstore. You have numerous options, even the third edition is for this course.

Earlier editions of the textbook (8 & 9) may be used, provided you attend all the lectures. If you are particularly interested in a topic, you are invited to explore the other recommended readings. Some of them come from Pop Internationalism by Paul Krugman, Free Trade Under Fire (2nd edition) by Douglas Irwin, International Trade by Robert Feenstra and Alan Taylor, and Intermediate Microeconomics by Hal Varian.

Grading Policy

This course uses a variety of assignments and assessments designed to help you learn and practice the course concepts. While attending lecture are very important, the time and effort you put in outside of lecture are equally important to your learning.

1. **Exams (50%):** We will have two non-cumulative in-class exams. Attendance at both the midterm and final exam is mandatory, and no make-up exams will be offered. In marginal cases, class attendance and participation will be taken into account.

- **Midterm # 1 (20%):** 10/15/2018

- **Final (30 %):** TBA

2. **Homework (15%):** For each home works you will be given one week as due date. You can submit the homework in group or individually, but # of group members should be 3 or less.

3. **Class Participation & Debate (10%):** These points are coming from in class discussion and participation.

Debates: Where noted, in the mentioned week the last 15 minutes of class will be devoted to a set topic of current interest. Each time 2 student groups (3 student in each group) will engage in a debate, argue for or against a certain issue, and the class will vote which side was more convincing. Debates will be based on specifically assigned readings, which everyone should complete before coming to class. The students leading the debate are welcome to, but not expected to read more on their own.

4. **Term Paper (25%):** You are free to choose any topic as long as its covering under international economics.
- **Title with short description (250-300 words) (5%):** 09/19/2018 is the due date for submitting Title and Abstract.
 - **Final Paper (20 %):** 12/07/2018

Term Paper Guideline

The research paper will consist of 10-15 pages. Note that includes title & reference pages, however you can add appendix if you require that.

- Introduction: motivation and research question
- Literature review
 - Hypotheses and propositions
 - Data description and identification strategy
 - Results and limitations of the research
- Data and Methodology
- Discussion, extensions, and conclusions
- References

Letter Grade Distribution:

Letter Grade	Interpretation	Honor Point	Total Number
A	Excellent	4.0	91.5 and above
AB		3.5	84.5-91.49
B	Good	3.0	80.5-84.49
BC		2.5	74.5-80.49
C	Satisfactory	2.0	70.5-74.49
CD		1.5	65.5-70.49
D	Minimum Passing	1.0	60.5-65.49
F		0.0	60.49 and below

Important Dates

Please follow the university calendar for any specific date. You can find the fall calendar in [here](#).

Class Cancellation

I may need to cancel class during the semester due to emergencies like weather, illness, etc. If class is canceled, I will send you a message through Canvas course page. If you are unsure about any assignments for that day, you should contact the instructor at suddin001@csbsju.edu.

Academic Misconduct

You are all adults & you all know what cheating is. But to reiterate: plagiarism, unauthorized group work, and unauthorized use of notes/text/etc all count as cheating. Any violation of the Honor Code will result in a grade of F for the course and will be reported to the Dean of Students' office. The CSB/SJU code of academic integrity is [here](#):

Disability Resource Center

The colleges have support systems in place for those students with an official diagnosis of a Learning Disability or a Physical Disability. If a student has had a diagnosis for a specific Learning Disability or a Physical Disability, the Office of Academic Advising will notify me and will provide information on current CSB|SJU accommodations. If a student volunteers information regarding a Learning Disability or a Physical Disability I will contact Academic Advising and make appropriate arrangements.

Religious Observance

Accommodations will be made for students who wish to observe their religious holidays. Students should make their requests known at the beginning of the semester - during the first week of classes.

Course Outline and Reading List

All required readings will be available online on the class webpage. Recommended readings in the textbook are abbreviated as "KOM".

If you are particularly interested in a topic, you are invited to explore the other recommended readings. Some of them come from Pop Internationalism by Paul Krugman, Free Trade Under Fire (2nd edition) by Douglas Irwin, International Trade by Robert Feenstra and Alan Taylor, and Intermediate Microeconomics by Hal Varian. You can find these books in the library. Other recommended readings will be made available through links on the class webpage. The textbook by James Markusen et al. International Trade is out of print but is available online at <http://spot.colorado.edu/markusen/textbook.html>.

Tentative Schedule

Week 1: Syllabus and Introduction

Recommended reading: KOM Chapter 1 & 2

Paul Krugman: "What do Undergrads Need to Know about Trade?" American Economic Review, May 1993, p.23-26 (also in Pop Internationalism)

Week 2: Comparative advantage and Ricardian model

Recommended reading: KOM Chapter 3

Paul Krugman: "[Ricardo's Difficult Idea](#)"

Week 3: Specific Factors and Income distribution & [Problem set 3 due at 09/12/2018](#)

Recommended reading: KOM Chapter 4

The Economist: "[Migration and Development: The Aid Workers Who really Help,](#)" October 2009

Week 4: Heckscher-Ohlin Model

[Debate 1: Does China's growth hurt the U.S.?](#)

Recommended reading: KOM Chapter 5

NPR podcast: "[While U.S. Economy Struggles, China's Rises](#)", November 2009

Paul Krugman: "Does Third World Growth Hurt First World Prosperity?" Harvard Business Review, July-August 1994 (also in Pop Internationalism)

Paul Krugman and Robert Lawrence: "Trade, Jobs, and Wages," Scientific American, April 1994 (also in Pop Internationalism)

Richard Freeman: "[Are Your Wages Set in Beijing?](#)" Journal of Economic Perspectives, Summer 1995

Week 5: Heckscher-Ohlin Model II & [Problem set 3 due 09/28/2018](#)

Recommended reading: KOM Chapter 5

Week 6: Standard Trade Model

[Debate 2: Are sweatshops good for workers in developing countries?](#)

Recommended reading: KOM Chapter 6

Paul Krugman: "In Praise of Cheap Labor," March 1997
 Nicholas Kristof: "In Praise of the Maligned Sweatshop," The New York Times, 2006
 Tim Harford: "Why Anti-Sweatshop Campaigns Might Just Do It After All," The Financial Times, 2010
 Justin Jin: "What is the real Cost of Your Jeans?," Marie Claire, October 2008
 Hedayat, N: "Developing Nations Dependent on Sweatshop Wages", Fair Observer, 2015
 Christopher Blattman and Stefan Dercon: *Everything We Know about the Sweet Shop*, New York Times, 2017

Week 7: Review for Midterm 1 and **Problem set 3 due**

Increasing Returns I

Recommended reading: KOM Chapter 7

Friday, October 12th. MIDTERM EXAM

Week 8: Increasing Returns II

Debate 3: Did the U.S., Canada and Mexico gain from NAFTA?

Recommended reading: KOM Chapter 7

NPR podcast: "Mexico Looks to U.S. to Fuel Economic Recovery", October 2009
 Reason.tv: "Mexicans and Machines: Why It's Time to Lay Off NAFTA", 2008
 Alexandra Spieldoch : *NAFTA Takes the Political Spotlight: It's About Time*", Institute for Agriculture and Trade Policy Commentary, March 2008
 Paul Krugman: "The Uncomfortable Truth About NAFTA," Foreign Affairs, November 1993 (also in Pop Internationalism)

Week 9: Firms in the Global Economy I

Recommended reading: KOM Chapter 8 (190-200)

The Economist: "Small Island for Sale: Foreign Takeovers in Britain," March 2010
 Lucian Cernat, Kay Parplies: "Chinese Foreign Direct Investment: What's Happening Behind the Headlines?," July 2010

Week 10: Trade Policy and **Problem set 4 due**

Recommended reading: KOM Chapter 9

Robert Feenstra: "How Costly is Protectionism?" Journal of Economic Perspectives, Summer 1992
 Paul Krugman: "Is Free Trade Passe?" Journal of Economic Perspectives, Fall 1987

Week 11: Political Economy of Trade Policy, WTO and International Trade Agreements

Debate 4: Should trade policy be used as a tool for domestic redistribution?

Recommended reading: KOM Chapter 10

NPR On Point podcast: "Global Trade Realities,"
 The Economist: "Just Say No", Feb 2002
 Robert Baldwin: "The Political Economy of Trade Policy," Journal of Economic Perspectives, Fall 1989

Week 12: Trade and Development

Debate 5: Should developing countries embrace free trade?

Recommended reading: KOM Chapter 11

Dani Rodrik: "Globalization for Whom?" Harvard Magazine, July-August 2002

The Economist: "More or Less equal?," March 2004

Douglas Irwin: "Did Late Nineteenth-Century U.S. Tariffs Promote Infant Industries?" Journal of Economic History 60, June 2000, p.335-360

Jeffrey Frankel and David Romer: "Does Trade Cause Growth?" American Economic Review, June 1999, p.379-399

Pinelopi Goldberg and Nina Pavcnik: "Distributional Effects of Globalization in Developing Countries," Journal of Economic Literature, March 2007, p.39-82

Week 13: Term paper presentation by student and Problem set 5 due [IF TIME PERMITS]

Review Session for Final Exam

————— Term Paper Due 12/07/2018 11:59 PM —————

—————. **FINAL EXAM** —————

————— END —————