

BOSTON COLLEGE
Department of Economics

EC371
International Trade
Fall 2000
M-F 3:00

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Office Hours:
M 1:30-2:30
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I have a limited reading list in the belief that less is more in learning economics. I expect to occasionally supplement the reading list with some current material from the flood of media generated data on trade issues, particularly from the Economist. I encourage students to do likewise. The media flow may have some extra zing if Nader's campaign takes off.

Practice thinking like an economist as you read or listen to popular descriptions of economic affairs; you will enjoy understanding more about the world and become more adept at taking exams in economics. Also, you may impress your friends (though this can easily backfire) and eventually prospective employers or clients.

Memorizing is not a successful strategy in this course; practicing analysis is. **Past experience indicates it is very useful to read the text before the lecture.**

Course Requirements:

The first term exam is Oct. 16 (30%). The second term exam is Nov. 27 (30%). Dates may be revised but you will have at least two weeks notice. The final exam (40%) will be at the scheduled time. Exams missed without prior consent of instructor (given only in extraordinary circumstances) will be graded "F." I never give makeup exams.

Attendance is required. More than 3 unexcused absences reduce your grade in the course by one step (e.g. B to B-). I take attendance.

Homework assignments and class participation count in determining whether you get the benefit of the doubt.

TEXT: Paul Krugman and Maurice Obstfeld, International Economics: Theory and Policy 5th Ed., Addison Wesley, 2000.

* denotes optional reading

OTHER MAJOR TEXTS

1. J. Markusen, J. Melvin, W. Kaempfer and K. Maskus International Trade: Theory and Evidence, McGraw-Hill, (1995). A bit more technical but clearer on some points than KO or other texts. There is an excellent chapter on political economy.

2. W. Ethier, Modern International Economics, 3rd Ed., Norton (1995). A bit less technical than Markusen et al and clearer in exposition of some points than KO.

3. A Dixit and V. Norman, The Theory of International Trade, Cambridge University Press, 1980. A landmark advanced graduate text, highly technical. Remarkably readable in its non-technical sections.

4. Surveys in International Trade, edited by L. Alan Winters and David Greenaway, Oxford: Basil Blackwell, 1994. A set of survey articles on the major areas of interest to international trade scholars. MA level, but much of it is non-technical.

5. American Trade Politics, 2nd Ed., I.M. Destler, Institute for International Economics, 1992. A very interesting survey of the politics of international trade policy.

Web Sites

Krugman-Obstfeld text site:

http://occ.awlonline.com/bookbind/pubbooks/krugman_awl/.

WTO: www.wto.org vast amount of information about the WTO and its dispute settlement processes. (How secretive is this organization?)

Trade negotiations web page:

www.cid.harvard.edu/cidtrade/ lots of news and opinion on a wide range of trade negotiation issues.

Steve Suranovic's course page:

<http://internationalecon.com/>

A textbook writer's greatly expanded website, with lots of policy news and opinion.

USTR reports: <http://www.ustr.gov/reports/index.html>. USTR is the negotiation arm of US trade; these are its briefs for disputes.

The Economist: www.economist.com. Lots of their excellent current stories and opinion are free.

Deardorff's Glossary of International Economics terms: <http://www-personal.umich.edu/~alandear/glossary/>

Syllabus

Background Globalization: How Much? Relative to What?

Readings: Bordo, Eichengreen and Irwin (1999), "Is Globalization Today Really Different Than Globalization A Hundred Years Ago?", NBER WP No. 7195. K&O, ch. 1

I. Determinants of Trade and Factor Returns

1. Labor Productivity and Comparative Advantage
Reading: KO, Ch. 2 (2-3 lectures)
Exercises: 1-9, pages 35-36. For question 2, add "construct the world production possibilities frontier".
2. Specific Factors and Income Distribution
Reading: KO, Ch. 3 (2 lectures)
Exercises: 1-4, pages 59-60.
3. The Factor Proportions Model
Reading: KO, Ch. 4 (3 lectures)
Exercises: 1-7, pages 86-7
4. The 'Standard' Trade Model
Reading: KO, Ch. 5 (3 lectures)
5. Economies of Scale, Imperfect Competition and Trade
Reading: KO, Ch. 6 (4 lectures)

6. International Factor movements
Reading: KO, Ch. 7 (3 lectures)

II. Applications of trade theory

1. Trade Policy Instruments and their Effects
Readings: KO, Ch. 8 (2-3 lectures)
D. Tarr and M. Morkre, Aggregate Costs of Tariffs and Quotas, FTC
G. Hufbauer and K. Elliott, Measuring the Costs of Protection in the US
(1-2 lectures)

2. Political Economy of trade
Readings: (2-3 lectures)
KO, ch. 9
Markusen et al., ch. 19.
*R.D. Roberts, The Choice: A Fable of Free Trade and Protectionism
*I.M. Destler, American Trade Politics, 2nd Ed.
J. Bhagwati, Protectionism, MIT Press, 1989, chs 4 and 5.

3. Trade Policy in Developing Countries
Readings: KO, Ch. 10 (2 lectures)