

**BOSTON COLLEGE**  
Department of Economics

EC371  
International Trade  
Fall 1999  
M-W 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. This fall promises to be unusually active as the WTO Ministerial meeting in Seattle approaches at the end of November.

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.

Course Requirements:

The first term exam is Oct. 6 (30%). The second term exam is Nov. 15 (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.

Homework assignments and class participation count in determining whether you get the benefit of the doubt. Obviously if you do not come to class, you cannot participate. Attendance is not required, but for monitoring participation I take attendance. Memorizing is not a successful strategy; practicing analysis is.

**Past experience indicates it is very useful to read the text before the lecture.**

TEXT: W. Ethier, Modern International Economics, 3rd Ed., Norton, 1995. There is also a study guide available in the bookstore.

\* denotes optional reading

OTHER MAJOR TEXTS AND SOURCES:

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. There is an excellent chapter on political economy.

2. P. Krugman and M. Obstfeld, International Economics: Theory and Policy. The market leader text, deceptively sophisticated.

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.

## 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.

I. Determinants of Trade

1. The Supply Side: Comparative Advantage  
Reading: Ethier, Ch. 1 (2-3 lectures)
2. Supply Side and Scale Economies  
Reading: Ethier, Ch. 2 (1-2 lectures)
3. Market structure and trade  
Reading: Ethier, Ch. 3 (1-2 lectures)

II. More detailed models

1. International equilibrium  
Reading: Ethier, Ch. 4 (2-3 lectures)
2. Factor endowments  
Reading: Ethier, Ch. 5 (3 lectures)
3. Explaining trade patterns  
Reading: Ethier, Ch. 6 (1 lecture)

II. Applications of trade theory

1. Tariffs and Trade Theory  
Readings: Ethier, Ch. 7 (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
2. Why Nations Restrict Trade  
Reading: Ethier, Ch. 8 (1-2 lectures)  
\*R.D. Roberts, The Choice: A Fable of Free Trade and Protectionism
4. Political Economy of trade  
Readings:  
Ethier, ch. 9  
Markusen et al., ch. 19.  
\*I.M. Destler, American Trade Politics, 2nd Ed.  
J. Bhagwati, Protectionism, MIT Press, 1989, chs 4 and 5.
5. Factor Movements  
Readings: Ethier, Ch. 10 (2 lectures)  
\*G. Borjas, "The Economics of Immigration", J. Econ. Lit., Dec. 1994, 1667-1717.

## 6. Trade and Wages

Readings:

\* Matthew Slaughter (1999) "Globalization and Wages: A Tale of Two Perspectives", GLM Research Paper 99/5.

## 7. Economic Integration (1-2 lectures)

Readings: Ethier, ch. 20

NAFTA, Hufbauer and Schott, Institute for International Economics, 1992

\*NAFTA, What Comes Next?, 1994, S. Weintraub, Washington: CSIS.

\*list of websites with information on NAFTA and hemispheric integration:

[www.wws.princeton.edu/~grossman/nafta.htm](http://www.wws.princeton.edu/~grossman/nafta.htm)

\*1997 report of US government on NAFTA and further integration,  
available at:

[www.ustr.gov/reports/index.html](http://www.ustr.gov/reports/index.html)

## 8. Trade, Development and Transition

Reading: Ethier, Ch. 21

(1lecture)

\*World Development Report, 1996, part one.