Objectives of the course: (1) Learn about the causes and effects of international trade and trade policy. (2) Improve quantitative analytic skills to interpret economists’ answers to ‘how big’ and ‘what if’ questions.

Memorizing is not a successful strategy in this course; practicing analysis is. Practicing is done with exercises: besides those assigned it is best to do all of them. The textbook website has further support materials including exercises. Practice also by critically reading the textbook and following lectures. Past experience indicates it is very useful to read the text before the lecture.

The reading list is limited. I may occasionally supplement the reading list with current material from the flood of media generated articles on international issues, particularly from the Economist. Students should do likewise independently. 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.
Ec 371 Course Requirements:
The midterm exam is March 13 (40%). 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.

Weekly problem sets constitute the remaining 20% of the grade. Collaboration on
problem sets is encouraged. The benefit of learning from each other in working on
problem sets outweighs the risk that laziness will tempt some to shirk.

Class participation counts in determining whether you get the benefit of the doubt.

Academic integrity is central to the mission of higher education. Please observe the
highest standards of academic integrity in this course. Please review the standards and
procedures that are published in the university catalog and on the web, at:
(http://www.bc.edu/offices/stserv/academic/resources/policy/#integrity). Make sure that
the work you submit is in accordance with university policies. If you have any questions,
please consult with me. Violations will be reported to the Deans' Office and reviewed by
the College's Committee on Academic Integrity. This could result in failure in the course
or even more severe sanctions.

* denotes optional reading

OTHER Sources


**Web Sites**

Feenstra-Taylor text site: [http://bcs.worthpublishers.com/feenstrataylor2_intltrade/default.asp#t_640569](http://bcs.worthpublishers.com/feenstrataylor2_intltrade/default.asp#t_640569)

This site has many suggestions for applications of the analyses and links to other sites with opinion and data.

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

**Trade negotiations web page:**

[http://www.cid.harvard.edu/cidtrade](http://www.cid.harvard.edu/cidtrade) lots of news and opinion on a wide range of trade negotiation issues.

**USTR reports:** [http://www.ustr.gov/reports/index.html](http://www.ustr.gov/reports/index.html). USTR is the negotiation arm of US trade policy making; these are its briefs for disputes.

**The Economist:** [www.economist.com](http://www.economist.com). Lots of their excellent current stories and opinion are free.


**The Financial Times:** [www.ft.com](http://www.ft.com) They are especially strong on international finance topics, with frequently excellent reporting and analysis.
International Monetary Fund: [www.imf.org](http://www.imf.org). This is the premier internet source for international macroeconomic data. Their annual World Economic Outlook is very widely read.

## Course Outline

### Background and Outline

FT ch. 1, Irwin ch. 1

### I. Trade Patterns, Size and Trade Costs

Notes ([www2.bc.edu/~anderson/GravityNotes.pdf](http://www2.bc.edu/~anderson/GravityNotes.pdf))


### II. Determinants of Trade and Factor Returns

1. Technology and Trade: Ricardian Model
   FT, ch. 2  
   Exercises: 1-8

2. Gainers and Losers from Trade: The Specific Factors Model
   FT, ch. 3  
   Exercises: 1-10

3. Factor Endowment Proportions and Trade: the Heckscher-Ohlin Model
   FT, ch. 4  
   Exercises: 1-6

4. Factor Movements
   FT, ch. 5  
   Exercises: 1-8

5. Economies of Scale and Monopolistic Competition
   FT, ch. 6  
   Notes  
   Exercises: 1-4, 8, 9

6. Offshoring
   FT, ch. 7  
   Exercises: 1-3, 6-8

### III. International Policy

1. Trade Policies with Perfect Competition
   FT, ch. 8  
   Exercises: 1-11

2. Trade Policies with Imperfect Competition
   FT, ch. 9  
   Exercises: 1-6

3. Export Subsidies: Agriculture and High Tech
   FT, ch. 10  
   Exercises: 1-6, 8, 9
4. Political Economy of Trade Policy
   ch. 19 of Markusen, Melvin, Kaempfer and Maskus text
   Anderson notes and slides

5. International Agreements
   FT, ch. 11
   Notes (www2.bc.edu/~anderson/Institutions.pdf)
   Exercises:

6. Exchange Rates as Trade Policy
   Anderson slides and notes