ECON-671
International Economics: Trade

American University
Department of Economics
Spring 2008
Class Time: Thur. 5:30-8:00 p.m.
Room: Ward 113

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Office Hours: M 2-4; W&Th 2:30-4:30

Syllabus

This is a graduate course in international trade theory and policy analysis for M.A. and Ph.D. students in economics or other graduate students who have the required background. The minimum prerequisites for this course are ECON-500 or 703 (M.A. or Ph.D.-level micro theory), and ECON-505 or 705 (quantitative methods or mathematical economic analysis); ECON-603 or undergraduate micro does not count as a prerequisite. Graduate students with less technical background in math and microeconomics are advised to take other trade-related courses (e.g., ECON-670), or else to obtain the necessary prerequisites first and take this course later.

This is a rigorous and technically demanding course, which emphasizes both theoretical (mathematical) models as well as empirical studies of how well those models fit “real world” data. You will need to work on understanding the economic logic (intuition) behind the mathematical models, as well as thinking critically about the assumptions behind the theories and how well they do (or do not) fit actual trading economies. We will cover a mix of “old” and “new” ideas in trade theory, as well as selected trade policy issues. Since it is not possible to cover all aspects of international trade in 14 weeks, the lectures will focus on a “core” of major theoretical models, policy analyses, and empirical studies in topics 1-5 on the reading list below (other topics will be covered only as time permits).

Class Website

A class website will be created using Blackboard (blackboard.american.edu). The website will contain this syllabus (and any updates) plus announcements, assignments, and other useful information (e.g., links to some required readings and related websites). The website will also be used for sending e-mail messages to class participants; I will use this feature extensively to make announcements. You are responsible for accessing the class website and checking it (and your e-mail) regularly. By default, the Blackboard system sends e-mail to your official @american.edu address; if you wish you may use my.american.edu to have messages forwarded to another e-mail address, or you may change the default e-mail address in your personal settings in Blackboard. It is your responsibility to make sure you are enrolled in the Blackboard course website and to configure your e-mail so that you receive messages from the instructor.
Books and References

Books ordered at the Campus Store:


Note: If you order books on-line, use the ISBN numbers to make sure you get the right editions.

Other books on reserve at the library:


Andrea Maneschi, *Comparative Advantage in International Trade: A Historical Perspective* (Edward Elgar, 1998)

Work Requirements

There will be a midterm exam (tentatively scheduled for Thursday, March 6) and a final exam on Thursday, May 1 (both at the regularly scheduled class time and place). Everyone must take the exams on the scheduled dates. The midterm and final will each count for 45% of the grade, but that a higher weight will be given to the final for students who improve substantially compared with the midterm. Problem sets will be distributed to provide practice for the exams. The problem sets will be checked for completeness and effort (but not graded on an A-F scale), and are essential study guides for the tests; problem sets will count for 10% of the grade.

Reading List

*Denotes minimal required readings (subject to change). [If you took undergraduate trade theory, the readings in Feenstra & Taylor are optional.]

B = Blackboard (Course Documents); E = E-Reserves (also on Blackboard); R = book on reserve in the library.

1. Core Trade Models: Ricardian and Neoclassical

*Feenstra, Advanced, chap. 1.
*Feenstra & Taylor, chap. 2.
*Cohen, Blecker, and Whitney, Fundamentals of U.S. Foreign Trade Policy, chap. 3 [non-technical overview of trade theory and policy analysis] 
R
Leamer, Preface and readings by Samuelson (pp. 19-33) and Jones (pp. 24-55).

2. The Heckscher-Ohlin Model, Specific Factors Model, and Empirical Tests

*Feenstra, Advanced, chaps. 2-3 (only pages 71-75 of chapter 3 will be covered in class).
*Feenstra & Taylor, chaps. 3-4 (but we will cover these in the reverse order, 4 and then 3).
*Leamer, readings by Bowen et al. (pp. 113-141), Leamer (pp. 142-150), and Trefler (pp. 151-176) [Neary (pp. 3-17) and Deardorff (pp. 55-71) are recommended].
3. Trade, Wages, and Outsourcing: Theoretical Perspectives and Empirical Studies

*Feenstra, Advanced, chap. 4.
*Feenstra & Taylor, chap. 7.
*Leamer, readings by Lawrence & Slaughter (pp. 177-203) and Leamer (pp. 204-231) [Davis (pp. 72-95) is recommended].
William R. Cline, Trade and Income Distribution.

4. Increasing Returns, National Conflict, and the Gravity Model

*Feenstra, chap. 5.
*Leamer, readings by Krugman (pp. 255-266), Ethier (pp. 278-300), and Krugman (pp. 301-316) [Engel & Rogers (pp. 233-253) and Hummels & Levinsohn (pp. 339-359) are recommended].
*Feenstra & Taylor, chap. 6.
*Ralph E. Gomory and William J. Baumol, “Globalization: Prospects, Promise, and Problems,” Lecture Presented at the University of the West Indies (2004) [note this is a short, intuitive summary of the following book].
R. E. Gomory and W. J. Baumol, Global Trade and Conflicting National Interests.

Paul R. Krugman, *Rethinking International Trade.*

Paul R. Krugman, *Geography and Trade.*


*Feenstra, chaps. 6-8 (required pages TBA).*

*Feenstra & Taylor, chaps. 8-10 (required pages TBA).*

*Leamer, reading by Bhagwati (pp. 96-112), Brander & Krugman (pp. 267-277), Eaton & Grossman (pp. 317-338).*


6. Political Economy of Trade Policy (Public Choice Models)

Feenstra, chap. 9.

Leamer, reading by Grossman & Helpman (pp. 407-430).

7. Trade and Growth

Feenstra, chap. 10.

Leamer, reading by Kremer (pp. 383-405).

8. International Factor Mobility and Multinational Corporations

Feenstra, chap. 11.

Feenstra & Taylor, chap. 5.

Leamer, reading by Markusen (pp. 361-382).

9. Preferential Trade Arrangements

Feenstra, chap. 6 (pp. 192-204 only).

Feenstra & Taylor, chap. 11.