

Dartmouth College  
Department of Economics  
Winter 2005

### Economics 39 – International Trade

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Office Hours:  
Monday: 12-1pm  
Thursday: 1-2pm  
or by Appointment

**Course Description:** In this course, we will discuss the microeconomic aspects of international trade. We will start by using the tools of basic micro theory to answer questions like “Why do countries trade?”, “What determines the pattern of trade?”, “How does trade benefit a country?” and “What effect does trade have on the income distribution within a country?”. Next we will move on to trade policy and address questions such as “How effective is strategic trade policy?” and “How do tariffs and other trade restrictions affect a country’s welfare?”. We will use examples drawn from recent U.S. and world history to illustrate the theory in each of these sections.

**Readings:** The textbook is *International Economics* by Paul Krugman and Maurice Obstfeld (6<sup>th</sup> ed., 2003). The main additional text is *Pop Internationalism* by Paul Krugman (MIT Press, 1996). Copies of this book have been placed on reserve in the library. Required readings are on reserve in a binder in the library. The articles in the optional reading list are available on-line, and the books are also on reserve in the library.

**Requirements:** There will be **two in-class quizzes** and **a cumulative final exam**. I will also hand out (ungraded) **problem sets** which will serve as practice for the exams. While these problem sets are not mandatory, I will occasionally call on you to do some of these problems on the board. Finally, you will complete a project which consists of an in-class **group presentation** and an individually written **policy memo**. Guidelines for the project are laid out in a separate document.

**Please note that the quizzes will be held on Thursday, January 20, 2005, and Thursday, February 3, 2005.** In general, exams may not be postponed except in the case of a **documented** emergency.

**Grading:** Your total grade will be determined as follows:-

Project	20%
Quizzes	40%
<u>Final exam</u>	<u>40%</u>
Total	100%

**Special Needs:** If you have a learning, physical or psychiatric disability which may warrant disability-related classroom accommodations, please speak with me during the first week of classes. The Academic Skills Center in 301 Collis Center will be asked to verify that you are registered for these services.

**Lecture Schedule and Readings:**

The schedule below indicates the topic covered in each lecture. While we will cover the topics in the order shown, I may not be able to cover everything planned. The readings from the textbook are noted in the fourth column, and the other readings in the fifth. The readings marked R1-R10 are required (as long as we manage to cover the relevant topic). The optional readings (O1-O4) are to be used for the project. While you are not required to know this material for the tests, you should at least try to read the shorter articles so that you can participate in the in-class policy debate. Please note that the policy memo is due (there will be a box outside my door) on **Wednesday, March 9<sup>th</sup> by 4pm**. No late papers will be accepted! Guidelines for the project are laid out in a separate document.

<b>Date</b>		<b>Topic</b>	<b>Textbook Reading</b>	<b>Other Reading</b>
1/5	Wednesday	Introduction, Trade in History	Chap.1 pp.1-6	R1
1/7	Friday	Review of Microeconomics, Gains from Trade	Chap. 5 pp.93-99	
1/10	Monday	Ricardian Model, Comparative Advantage	Chap. 2	
1/12	Wednesday	Ricardian Model Contd.		R2, R3, R4
1/14	Friday	Ricardian Model Contd.		
1/17	Monday	No Class (MLK Day) <i>X-Hour this week</i>		
1/19	Wednesday	Specific Factors Model Discuss Problem Set 1/Quiz Review	Chap. 3	
1/20	<b>Thursday X-Hour</b>	<b>Quiz 1</b>		
1/21	Friday	Specific Factors Model Contd.		R5, R6
1/24	Monday	Heckscher-Ohlin Model	Chap. 4	
1/26	Wednesday	Heckscher-Ohlin Model Contd.		
1/28	Friday	Trade and Imperfect Competition	Chap. 6	
1/31	Monday	Trade and Imperfect Competition Contd. Discuss Problem Set 2		

2/2	Wednesday	Multinational Corporations / Quiz Review	Chap.7	
2/3	<b>Thursday X-Hour</b>	<b>Quiz 2</b>		
2/4	Friday	Trade Policy: Tariffs	Chap. 8 pp.187- 196 Chap. 9 pp.218- 228	R7
2/7	Monday	Tariffs Contd.		
2/9	Wednesday	Trade Policy: Other Instruments	Chap. 8 pp.197- 206	
2/10	<b>Thursday X-Hour</b>	Trade Policy: Other Instruments Contd.		
2/11	Friday	No Class (Carnival) <i>X-Hour this week</i>		
2/14	Monday	Dumping	Chap. 6 pp.142- 147	
2/16	Wednesday	Trade and Economies of Scale	Chap. 6 pp.147- 155	
2/17	<b>Thursday X-Hour</b>	Strategic Trade Policy Discuss Problem Set 3	Chap.11	R8
2/18	Friday	Trade Policy in Developing Countries	Chap.10	
2/21	Monday	World Trade Organization	Chap 9. pp. 229- 247	R9
2/23	Wednesday	WTO contd. & U.S. Trade Policy		
2/25	Friday	<b>Policy Debate: Competitiveness – a Dangerous Obsession?</b>		(O1)
2/28	Monday	<b>Policy Debate: International Trade and Labor</b>		(O2)
3/2	Wednesday	<b>Policy Debate: International Trade and the Environment</b>		(O3)
3/4	Friday	<b>Policy Debate: The U.S. role in the WTO</b>		(O4)
3/7	Monday	No class		
3/9	Wednesday	No class <b>Policy Memo due by 4pm</b>		

**Readings**

Douglas Irwin, “The United States in a New Global Economy? A Century’s Perspective “ (R1)

Paul Krugman, “Ricardo’s Difficult Idea” (R2)

*Pop Internationalism* Chap. 1 (R3)

Clyde Prestowitz and others, “The Fight Over Competitiveness: a Zero-Sum Debate?” (R4)

*Pop Internationalism* Chap. 3 (R5)

Gary Burtless, “International Trade and the Rise in Earnings Inequality” (R6)

Paul Krugman, “Is Free Trade Passe?” (R7)

Frederic Bastiat, “A Petition” (R8) <http://www.econlib.org/library/Bastiat/basSoph3.html>

Paul Krugman, “A Country is Not a Company” (R9)

*The following readings are relevant for the **class project**. You are not required to know all the material below if you are not part of the group presenting that day, but you should understand the main points in these, so that you can ask the presenters questions (remember, your own project grade will be affected by this). Please read the project guidelines for further details:*

(O1) Douglas A. Irwin, “Retrospectives: Challenges to Free Trade”, *The Journal of Economic Perspectives*, Vol. 5, No. 2. (Spring, 1991), pp. 201-208.

(O2) Robert Lawrence and Matthew Slaughter, “International Trade and U.S. Wages: Giant Sucking Sound or Small Hiccup”, *Brookings Economics Papers on Economic Activity*, 2:1993.

(O3) Brian R. Copeland and M. Scott Taylor, *Trade and the Environment* (Princeton Univ. Press: Princeton, 2003), Chapter 1.

(O4) Alan V. Deardorff and Robert M. Stern, “What You Should Know about Globalization and the World Trade Organization”, *Review of International Economics*, August 2002.