



## **Economics 452 International Trade Theory & Policy Fall 2010**

### **Introduction**

International trade matters to the well-being of individuals, groups, and society as a whole. The impact of international trade has been illustrated in debates over such events as the passing of NAFTA, the Uruguay round of GATT, and the Doha round of WTO. The United States has experienced recent trade disputes such as with Japan over import access for auto parts, with China over intellectual property rights protection, with France over oilseeds, and with Brazil, Japan and Russia over dumping of steel. To make wise policy choices, politicians, journalists, and voters need to understand the causes of international trade and its impact on individuals and countries.

### **Objectives**

This course should enhance each student's ability to make informed decisions involving international economic issues from the standpoint of rigorous microeconomic analysis. Lectures will emphasize the theory needed to hold well-informed discussions of international trade issues.

### **Content**

This course will develop two main ideas: international trade stems from comparative advantage, and countries gain from trading with each other. While countries as a whole are better off under free trade than they would be in the absence of trade, some individuals are hurt by international trade. This course will identify who is hurt and possible policy responses designed to ease adjustment to increased openness. Tariffs or other trade restrictions may be implemented to protect these groups at the expense of the overall economic well-being of the country and the world. This course also will examine the potential consequences of immigration and multinational firms (foreign direct investment).

### **Prerequisites**

The requirement for this course is a solid understanding of Microeconomic Theory (Economics 323) or Applied Microeconomic Theory (Economics 322). Students without this prerequisite, especially INTS majors, should see me to discuss their situation. You should know how to use the Internet to access the class web page and read documents using Adobe Reader.

## Classes

Mondays, Wednesdays, and Fridays 10:55-11:45am and 12:05-12:55pm in Allen 1002. The first class is Monday, August 30 and the last class is Monday, December 6. No class on Wednesday, November 24 or Friday, November 26.

## Office Hours

Mondays and Wednesdays 1:00-2:30pm in Allen 3062. For an appointment at other times, call 845-8507 or e-mail [aglass@econmail.tamu.edu](mailto:aglass@econmail.tamu.edu).

## Books

*International Economics: Theory and Policy, 7th or 8th Edition* by Paul Krugman and Maurice Obstfeld. On reserve at the Political Sciences & Economics Library. Other materials on class web page <http://econweb.tamu.edu/aglass/econ452/>.

## Grades

Based on your performance in learning fundamental models and results in international trade and applying them to real world issues, as determined by your scores on the three exams (25% each for 75% total), three problem sets (15% total), and eleven quizzes (10% total). Problem Set 1 on chapter 3 is due in class on **Friday, September 24**; Problem Set 2 on chapter 4 **Friday, October 22**; and Problem Set 3 on chapter 8 **Friday, November 19**. Any curve will be granted in proportion to class participation (discussion on quizzes) and attendance checks.

## Exams

Exam questions test your knowledge of concepts and ability to work through exercises using a mixture of multiple choice and problems requiring detailed solutions (including equations used). The multiple choice section tests the breadth of your knowledge, while the problem section tests its depth. Past exams are available on the class web page so you can acquaint yourself with the format of exams. The final exam is not cumulative. Note when the final exam is scheduled below. Bring a Scantron 882-E, #2 pencil, ruler, and basic (not graphing or programable) calculator to the exams. No cell phones. You must take each exam in your assigned section.

DATE	CHAPTERS	EXAM
<b>Friday, October 1</b>	2, 3	First Exam
<b>Friday, October 29</b>	4, 5	Second Exam
<b>Friday, December 3</b>	7, 8	Final Exam

## **How to Succeed in this Course**

Read this syllabus carefully – it contains important dates and guidelines for assignments. Before class, read the pages indicated in the text (and any additional readings) so that the lectures will be easier to understand. Attend class and pay attention! After class, read the material a second time to help it sink in. Work on the exercises in the lecture notes soon after we cover the corresponding examples in class. Ask questions if anything does not make sense. Work hard on the problem sets, which also will help prepare you for the exams. Keep up as we cover material in class. Get help if needed. Consider linking up with a classmate to study so that you can help each other out when confused. Do not leave studying to the last minute – pace yourself and leave time to get help if needed. Use some past exams to familiarize yourself with the format, but leave one or more as a practice test to assess any weaknesses in your knowledge that might remain and to make sure you can finish a practice exam in the time allotted. Reinforce those weak areas with more studying prior to the exams.

## **Attendance and Conduct**

At this point in your studies, standards for good behavior should go without saying – but to be perfectly clear of my expectations, I make the following requests. As a courtesy to me and your fellow students, please be on time and do not depart early. Refrain from disruptive behavior (such as talking to each other or reading the newspaper) while I am lecturing. If you have a question during the lecture, ask me for clarification – other students might have the same question in mind. If for some exceptional reason you must come late or leave early on a particular day, please alert me in advance and sit close to the door so that you disrupt the rest of the class as little as possible. You must attend class (or have a University excused absence) to receive credit for the quizzes.

## **Academic Integrity**

Aggie Code of Honor: *“An Aggie does not lie, cheat or steal, or tolerate those who do.”* For additional information visit <http://www.tamu.edu/aggiehonor>.

## **Americans with Disabilities Act (ADA)**

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring accommodation, please contact the Disability Services in B118 Cain Hall or call 845-1637. For additional information visit <http://disability.tamu.edu>.

**1 Introduction**, pp. 1-6, 8 in either edition, Syllabus & Student Survey  
Monday, August 30

**2 World Trade**, pp. 12-26 in 8<sup>th</sup> edition (or 10-22 in 7<sup>th</sup>) & Readings 2a, 2b  
Wednesday, September 1 and Friday, September 3

**3 Ricardian Model: Production Possibility Frontiers**, pp. 27-30 (24-29)  
Monday, September 6 to Friday, September 10

Relative Supply and Demand, pp. 31-36 (29-32) & Readings 3a, 3b  
Monday, September 13 to Friday, September 17

Trade Possibilities Frontiers, pp. 36-42, 48-51 (33-40, 45-47) & Reading 3c  
Monday, September 20 to Friday, September 24 (*Problem Set 1 due*)

Review Monday, September 27 and Wednesday, September 29  
**First Exam** Friday, October 1

**4 Heckscher-Ohlin Model: Production**, pp. 64-67 in handout & Reading 4a  
Monday, October 4 to Friday, October 8

Pricing, pp. 67-71 in handout & Reading 4b  
Monday, October 11 and Wednesday, October 13

Trade, pp. 64-82 (61-77) & Reading 4c  
Friday, October 15 and Monday, October 18

**5 Standard Trade Model**, pp. 88-103, 107 (84-99, 103)  
Wednesday, October 20 and Friday, October 22 (*Problem Set 2 due*)

**Review** Monday, October 25 and Wednesday, October 27  
**Second Exam** Friday, October 29

**7 International Factor Movements**, pp. 153-160, 163-170 (148-154, 157-169)  
Monday, November 1 and Wednesday, November 3

**8 Trade Policy: Imports and Exports**, pp. 182-185 (176-179) & Reading 8a  
Friday, November 5 to Wednesday, November 10

Tariffs, pp. 185-192 (179-186) & Reading 8b  
Friday, November 12 to Wednesday, November 17

Quotas and Subsidies, pp. 192-201 (186-195) & Reading 8c  
Friday, November 19 (*Problem Set 3 due*) and Monday, November 22

**Review** Monday, November 29 and Wednesday, December 1  
**Final Exam** Friday, December 3

**Exams Returned** Monday, December 6