

ECNG252: International Trade Syllabus

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1 Introduction

1.1 From the official course description

Credit 4 Semester Hours.

Description This course examines theories of trade, including Ricardian, Heckscher-Ohlin, and trade under increasing returns to scale; welfare implications of different trade policies, including tariffs, quotas, voluntary export restraints, and customs union; the political economy of trade policies; and global trading arrangements, including GATT and WTO.

Prerequisites Knowledge of intermediate microeconomic theory.

1.2 The instructor's own description

This course cover a few more topics than what the official description implies. We will follow religiously the textbook's order. The textbook can be divided into two parts: international trade theory (Chapters 1-5) and international economic policy (Chapters 6-11).

After a brief introduction to the general topic of international trade we will begin by analyzing the role of absolute advantage (due to Adam Smith) as a determinant of trade patterns (Chapter 2). Then we will turn to relative advantage and the Ricardian model of Trade (still in Chapter 2). We will introduce capital as a factor of production in Chapter 3; the Hecksher-Ohlin model of trade will then be presented. This will allow us to consider relative factor abundance as a determinant of patterns of trade.

In Chapter 4, we will investigate which factors gain and loose from trade in the short-run as well as in the long-run. Chapter 5 will analyze the role of economies of scale, technology, demand and transport costs in explaining patterns of trade. We will investigate the reasons behind intra-industry trade and what new trade theories have to say about it.

We will begin our investigation of trade policy issues by analyzing the implications of tariffs for trade and welfare (Chapter 6). Then we will move on

International
Trade Theory

International
Economic
Policy

to non-tariff barriers and their implications (Chapter 7). After that, we will discuss the arguments for restricting trade (Chapter 8) and discuss the political economy of trade policy (Chapter 9).

We will also discuss the role of growth for trade and welfare in an open economy, the causes and consequences of factor mobility, as well as the role of multinationals (Chapter 10). Finally, we will study the role of international trade for developing countries and for economies in transition from central-planning to a market-based economic system (Chapter 11).

2 Objectives of this class

The purpose of this master's level class is to complete your undergraduate education in International Economics. As much as possible this class will aim to be applied, real-world and application oriented (meaning policy-oriented in this course). After taking this class, you should have a good understanding of the main policy issues in International Trade.

The objective is *not* to make of you a trade theory guru. If you were to pursue International Trade as an academic interest, you will need to take additional, more theoretical, classes. A number of topics have been omitted from this class in order to focus on topics of most interest to master's students. For example, for expositional simplicity, we will not extend our results to the case of many factors and many goods. There is much more than we will be able to cover that can be said about the role of market structure, imperfect competition, strategic effects, ... for international trade.

Upon completion of this class, however, you should be able to fully understand what is at stake in the newspapers and in the financial press when it concerns international trade. For example, you should be able to frame and put in context discussions regarding tariffs and quotas. You should have an understanding and form some informed opinion regarding the welfare implications of liberalizing trade. You should comprehend what is at stake when this or that country is restricting immigration or capital movements. Finally, if you were to be interviewed for a job related to international economics, you should sound like you are well-read, aware of the major issues, able to form an opinion and that you have a good grasp of the fundamental conceptual tools in the field.

To feel comfortable in this class having taken a class in undergraduate international economics would be very helpful but not to the point of being mandatory. The material in this class will be relatively self-contained. One important thing that will be assumed is basic calculus skills such as the ability to use derivatives. Also, students will be expected to be comfortable applying intermediate microeconomics conceptually and graphically. If you are lacking in preparation either in intermediary microeconomics or basic multivariate calculus, please note that it is *your responsibility* to make up for that. The reason is that I will not be able to hold back the rest of the class to accommodate this kind of needs.

What *not* to expect from this course...

What to expect from this course...

Prerequisites

3 Structure of this class

This class is structured into three parts:

1. In the first part of the class, up to the second quiz, we will build the conceptual framework needed to understand the determinants of patterns of international trade and how trade affects the welfare of different groups within and across countries. This part of the class may be part review to some of you, but that cannot hurt since education experts often say that *repetition is the art of education*.
2. In the second part of the class, following the second quiz, we will expand and apply our conceptual toolbox to policy questions such as tariffs and nontariff barriers. After our fifth and last quiz, we will link our conceptual apparatus with other important issues such as growth, immigration, multinationals, economic development and transition from a command-and-control economy to a market-based economic system.
3. In the third part of the class, following our last quiz, students will hone their presentation skills by presenting to the class one or more papers from the reader. Details concerning this assignment will be worked out and explained once the definite student enrollment is known for this course.

4 Administrative

4.1 Contact information

Instructor Jean-Philippe Stijns.

Mailing address 301 Lake Hall.

Phone (617)373-8427.

Email j.stijns@neu.edu.

4.2 Office Hours

Office 321 Lake Hall.

Office Hours Mon 4:00-5:00 + Wed 4:00-6:00 and by appointment.

Note I realize that my office hours will never be able to meet everyone's tight work or study schedule. That is why I offer to hold office hours by appointment outside of these official times. I do honor this commitment and I always end up being rather generous with my time. However, I ask that you make an appointment before coming to my office, and I request at least 24 hours notice. The reason is that I am on tenure track and, as such, my academic responsibilities entail more than teaching: I need to

publish regularly in scholarly journals. Further, when I prepare for class, to do a good job, I need to be able to concentrate. Obviously, being regularly interrupted does not quite help concentration. Please be considerate of this and keep in mind that I have about 60 students to teach this Fall semester. What may sound like a reasonable time commitment on an individual basis can quickly become unmanageable when multiplied by many students.

4.3 Lectures

Place 111 Dodge Hall

Time Tue/Fri: 4-5:30 p.m.

4.4 Grading

4.4.1 Student assessments

- There will be five in-class quizzes.
- There will be a final exam. The final exam is *comprehensive*.
- Students will have to present a paper from the reader to the class.
- Students are offered the opportunity to submit a review of Joe Stiglitz's (2005) book. More details about the requirements behind this assignment as well as some tips will be provided later in a separate documents. *This assignment is optional*

4.4.2 Approximate and tentative weights

- Quizzes: 1/4;
- Presentation: 1/4;
- Final: 1/2.

Note i These weights are indicative, the instructor reserves the prerogative to adjust them as the class evolves and feedback is received.

Note ii The optional assignment, *i.e.* the book review, only affects the student's grade at the very end when letter grades are assigned. The grade received for the book review is used to decide whether a student should receive, *e.g.* a B+ or an A-. Only a good book review can make a difference to a student's letter grade. Simply completing the formal requirement of the book review is not enough to get a half letter grade advantage. However, a truly excellent book review has the potential to raise a student's grade by as much as a full letter grade.

5 Course material

5.1 Main texts

- **Yarbrough, Beth V. and Yarbrough, Robert M.** *The World Economy: International Trade 7/e*, 2005, Thomson-South Western. ISBN 0-324-32151-1. *Note: you are required to purchase this textbook (new or used).* Intermediary
- **Stiglitz, Joseph E.** *Globalization and Its Discontents*, 2002, New York: W. W. Norton & Company. ISBN 0-393-32439-7. *Note: you are encouraged but not required to purchase this book.* Non-technical
- *ECNG250: Reader*. This reader packs together no less than 27 journal articles and book chapters together. These are generally quite recent, many as recent as 2005, contributions. The emphasis is on applied and policy-oriented topics. *Note: you are required to purchase this reader.* Intermediary-Advanced

5.2 Optional references

1. **Bagwell, Kyle and Staiger, Robert W.**, *The Economics of the World Trading System*, 2002, Cambridge: MIT Press, pp. xiii, 224. Advanced
2. **Feenstra, Robert C.**, *Advanced International Trade: Theory and Evidence*, 2004, Princeton and Oxford: Princeton University Press, pp. xii, 484. Advanced
3. **Gandolfo, Giancarlo**, *International Trade Theory and Policy*, 1998, Berlin: Springer, pp. xxi, 544. Intermediary-Advanced
4. **Grossman, Gene M. ed.**, *Imperfect Competition and International Trade*, 1997, Cambridge: MIT Press, pp. xii, 387. Advanced
5. **Helpman, Elhanan and Krugman, Paul R.**, *Trade Policy and Market Structure*, 1989, Cambridge: MIT Press, pp. xii, 191. Advanced
6. **Krugman, Paul R.**, *Rethinking International Trade*, 1990, Cambridge: MIT Press, pp. viii, 282. Advanced
7. **Krugman, Paul R., and Obstfeld, Maurice**, *International Economics: Theory and Policy 7/E*, 2005, Addison-Wesley, 784. ISBN: 0321278844. Introductory
8. **Leamer, Edward ed.**, *International Economics*, 2001, New York: Worth, pp. xii, 484. Advanced

5.2.1 Availability

- The main textbook is available from the campus store. The Northeastern University Bookstore (<http://northeastern.bkstore.com/>) is located on the lower level of Ell Hall (adjacent to the Curry Student Center). The bookstore's phone number is 617-373-2286.
- Not knowing what the final enrollment will be for this class, 8 copies of the reader have been tentatively ordered from Gnomon Copy (<http://www.gnomoncopy.com/>). Gnomon is located at 325 Huntington Avenue. Their phone number is 617-536-4600 and their email is info@gnomoncopy.com.

6 Student responsibilities

Attend ALL classes (except for strictly serious reasons, of course.) Roll will not be taken but you are upon the honor code expected to play your part in this “community of learning.” If you think you might need some understanding from me at any point during the semester, you will want to show up in class. Besides, you are now in graduate school, and your work ethics should be the same as what it would be in a high responsibility job.

Prepare for class This means that you are expected to come to class having read *all* the assigned reading before class meets. In other words, reading happens before coming to class, not after. Class serves to structure, discuss and summarize the material. It is a complement, not a substitute to reading the material. I have purposely limited the amount of reading to make it manageable. Typically, you are asked to read one textbook chapter per week.

Stay on top of the news especially as they relate to international trade. This is something you can expect to be tested on, possibly on the quizzes, and on the final. You are *strongly* encouraged to subscribe to a financial newspaper for the duration of the class. The Financial Times and the Wall Street Journal are your principal options. Alternatively, or better yet, in complement, you can read The Economist (HB1.E5350). The Department of Economics subscribes to the FT and the WSJ. They are available from the frontdesk (301 Lake Hall) or the Student Resource Center (310 Lake Hall).

Enough warnings and rules, enjoy this class! International trade is a fascinating topic, always affected by current events and full of policy implications. Welcome to those of you who are new to Northeastern University or to the Department of Economics! And welcome back to the rest of you!