

## Economics 364: Survey of International Economics

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Office Hours: Tu 2.30 - 3.30 pm

Th 9.30 - 10.30 am

### Course Description:

There are two courses on international trade and finance offered by the Department of Economics: this course and Econ 464. Econ 364 is designed for non-majors and does not have the intermediate theory classes (Econ 301 and 302) as prerequisites. However Econ 101 and 102 are required and I expect the students to be able to use the main concepts that were taught in these introductory courses (specially in 101). **If you have taken 101 more than 2 semesters ago** you will need to review the basic material. Economics Majors and others seeking a more in depth treatment should take Economics 464 instead.

The first and major part of the course (about 18 lectures) explores the theoretical foundations of **International Trade**, focusing on why nations trade and what do they trade, in what sense international trade is beneficial to trading countries, the effect of different trade policy instruments and international trade agreements. Current policy issues will be examined to demonstrate the usefulness as well as the limitations of the theory. The second part of the course (about 8 lectures) will be devoted to topics in **International Finance**: balance of payments, foreign exchange market.

It is extremely important that you work on linking the concepts that we cover in class with developments in the real world. This is the only way to make sure that these concepts are really understood. I will occasionally send you emails with links to articles where international economics issues are discussed. But I urge you to do this on your own as well. Good sources are The New York Times, The Financial Times, The Economist and Google World News. Also, check out CID's Global Trade Negotiations Home Page at <http://www.cid.harvard.edu/cidtrade/index.html> and The Trade Observatory at <http://www.tradeobservatory.org>. If you find an interesting or amusing article about any of the issues we discuss in class, please send it to me so that we can discuss it in class.

### Required Reading:

(1) International Economics, written by Robert C. Feenstra and Alan M. Taylor. The book is not yet published, but we will have access to the "uncorrected proof version" that includes chapters 1 to 11. You can buy it at the University Bookstore. Chapters 13 and 16 will be available in e-reserves.

(2) Handouts and assigned articles distributed in class, available at the course's web page / links and e-reserves (Soc. Sc. Reference Library available through My UW).

### Grading/ Important Dates/Other:

1. Grading will be on the basis of **three exams (non cumulative) and homework assignments (between 4 and 6)**. **There will be no Final Exam for the class**.

**Homework grading:** I will decide which homework will be graded and we will randomly pick one or more problems to grade (this is due to the shortage of grading help for the TA). Even if the homework is not graded, we will record who turned it in.

The dates and weighting will be:

	Weight	Date / Dates
Exam 1	32 %	Thursday October 4
Exam 2	32 %	Tuesday November 6
Exam 3	30 %	Thursday December 13 (last day of class)
Homework Assignments	6 %	To be announced in class

## **2. Students are responsible for announcements made in class and via e-mail.**

**3.** As a general rule, I do not give make up exams. However, if there are exceptional circumstances that make it impossible for you to take an exam at the scheduled time you should contact me **before** the exam.

### **E-mail and WEB Page**

The class will be put on an electronic mailing list. This allows distribution of announcements and class related information to everyone. Please activate your account and check your E-mail regularly (**this is mandatory**). I will use E-mail to provide you with detailed information about the topics we will be covering each class, specific readings and handouts. Sample exams or review questions will occasionally be sent to you.

The Web page for our class has the syllabus, some handouts, other relevant information and useful links. or going into our address:

<http://www.ssc.wisc.edu/~munia/364>

You can also access our page going to the Economics Department Page (<http://www.econ.wisc.edu>), then into the Undergraduate Program , then into Courses and then into Econ 364.

### **General Approach and Microeconomic Concepts:**

There is no perfect book for this class (in general they are either too easy or too hard). Overall, Feenstra and Taylor is harder than the right level for this class so we **will not cover all the material in the book**. We will skip topics/ sections (details will be announced via email and in the web page). My lectures and the handouts are designed to provide you with enough background to understand the topics that I consider important. As a consequence, it is very important that you attend class and section, read the handouts and do the homework.

**Make sure you have a classmate's email or phone number to borrow his/her lecture notes in case you are unable to attend class.**

The International Trade Theory part of the course will make heavy use of concepts from Microeconomic Theory. You need to master these concepts to do well in the class. Review material is in e-reserves.

### **COURSE OUTLINE AND READINGS.**

Below Feenstra and Taylor will be referred as FT.

#### **I. Introduction**

Ch. 1 FT

[The Trade Tightrope, The NYTimes](#) by P. Krugman (2-27-04).

Microeconomic Theory Handouts (Part 1 and Part 2)(Web Page).

#### **II. Standard Trade Model, Gains From Trade**

Class material.

#### **III. Ricardian Model and Comparative Advantage**

Ch. 2 FT

"Ricardian Model: I and II" (web page )

"Mark's recipe for Ricardo" (web page )

"In Praise of Cheap Labor," by Paul Krugman, *Slate* , March 1999 (web page).

#### **IV. Specific Factors Model and Income Distribution.**

Ch. 3 FT

## **V. Resources and Trade: Heckscher-Ohlin Model**

Ch. 4 FT

Patterns of Trade in the HO Model (web page)

## **VI. Movement of Labor and Capital Between Countries**

Ch. 5 FT

## **VII. Outsourcing**

Ch. 7 FT

## **VIII. WTO, US Trade Policy, Import Tariffs, Quotas, Dumping**

Ch. 8 FT

Understanding Antidumping and Countervailing Duties (web page).

Understanding Safeguards (web page).

## **IX. Export Subsidies**

Ch. 10 FT (some topics will be skipped).

## **X. Trade Agreements**

Ch. 11 FT.

## **XI. Intertemporal Trade, National Income Accounting , Balance of Payments.**

"Intertemporal Trade," from "International Trade", by J. Markusen, J. Melvin, W. Kaempfer and K. Maskus, MC. Graw Hill, 1995, (e reserves).

Ch. 16 FT.

"Do Government Deficits Worsen the Current Account?" from "International Economics", 4<sup>th</sup> Ed. by P. Krugman and M. Obstfield, Addison Wesley, 1997, (e reserves ).

The Global Saving Glut and the U.S. Current Account Deficit , by Ben Bernanke, March 2005 (web page).

## **XII. Exchange Rates , Topics in International Monetary Economics**

Ch. 13 FT.

### **Grievance Procedure**

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.