

Economics 464: International Trade and Finance
Fall 2007

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Course Description:

This is a course for economics majors and has **Econ 301 and Econ 302 as prerequisites.**

The first and major part of the course explores the theoretical foundations of **International Trade**, focusing on why nations trade and what do they trade, and in what sense international trade is beneficial to trading countries. Current policy issues will be examined to demonstrate the usefulness as well as the limitations of the theory. We will also study how trade policies can be used to pursue national or global objectives. The second part of the course (remaining 1/3 of classes) will cover selected topics in **International Finance**.

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, with a class of this size, 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**). The Web page for our class has the syllabus, other relevant information and useful links.

General Approach

The Microeconomic Theory Handouts (Part I and II) , available at our Web Page, contains most of the material from Intermediate Microeconomic Theory that we will be using in our class. You are encouraged to consult H. Varian's "Intermediate Microeconomics " for additional help.

The tests are based in the material covered in class, in section and in the homework assignments. Please take the time to get **a classmate's email or phone number to borrow his/her lecture notes in case you are unable to attend class.**

COURSE OUTLINE AND READINGS.

Below Feenstra and Taylor will be referred as FT.

I. Introduction

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

Ch. 1 FT

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

II. Standard Trade Model, Gains From Trade

"Supply and Production Possibilities," Ch. 2 from *International Trade*, by J. Markusen et al. Mc. Graw Hill (e-reserves, reference only).

"General Equilibrium in Open and Closed Economies," and "The Gains from Trade," from *International Trade*, by J. Markusen et al. Mc. Graw Hill, 1995. (e-reserves)

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 199 (web page).

IV. Specific Factors Model and Income Distribution.

Ch. 3 FT

V. Resources and Trade: Heckscher-Ohlin Model

Ch. 4 FT

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 and Increasing Returns to Scale

Ch. 11 FT (some topics will be skipped)

Ch. 6 (pages 185-215 only)

Handout on the Love for Variety Utility Function (web page).

Handout on Monopolistic Competition (web page).

“Variety, the spice of life, has measurable value. But it is not easy to determine,” The NYTimes 6-17- 03 (web page)

TOPICS ON INTERNATIONAL FINANCE

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”, 4th 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.