

Economics 464: International Trade and Finance
Spring 2011

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Th 11.15 am-12.15 pm

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. If you find an interesting or amusing article about any of the issues we discuss in class, please send it to me so that I can consider it for discussion in class.

Required Reading:

- (1) International Trade, by Robert C. Feenstra and Alan M. Taylor, Second Edition, Worth Publishers, 2011 (Chapters 1- 11, available at the University Bookstore). The International Finance chapters (Chapters 13 and 16) will be available in e-reserves (Soc. Sc. Reference Library available through My UW)
- (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, homework assignments (between 4 and 6) and in class activities.**

Homework grading: I will decide which homework/class activity will be graded and we will randomly pick one or more problems to grade. 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	29 %	Tuesday February 22 (in class)
Exam 2	29 %	Thursday April 7 (in class)
Final exam	35 %	Tuesday May 10 at 12.25 pm
Homework Assignments/class activities	7 %	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

Ch. 1 FT

Part 1 of the Microeconomic Theory Handout (web page)

Part 2 of the Microeconomic Theory Handout (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

Ricardo Handouts (web page):

Ricardo Model example used in class

Ricardo: changes in technology example

Ricardo: more comparative statics examples

IV. Specific Factors Model and Income Distribution.

Ch. 3 FT

Specific Factors Handout (web page)

Cobb Douglas Production Function example (web page)

V. Resources and Trade: Heckscher-Ohlin Model

Ch. 4 FT

Heckscher-Ohlin excerpts from Krugman-Obstfeld "International Economics" (e-reserves)

VI. Movement of Labor and Capital Between Countries

Ch. 5 FT

"The Immigration equation," by R. Lowenstein, The NYTimes, July 9 2006 (e-reserves)

VII. Outsourcing

Ch. 7 FT

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

Ch. 8 Ft

Understanding Safeguards ITC (web page)

[The WTO in Brief](#) (web page)

[WTO material on Antidumping, CVD and Safeguards](#) (web page)

IX. Export Subsidies

Ch. 10 FT (skip pages 342-351).

X. Trade Agreements

Ch. 11 FT .

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 (some topics will be skipped , e-reserves).

“Do Government Deficits Worsen the Current Account?” from International Economics, 4th Ed. by P. Krugman and M. Obstfield, Addison Wesley, 1997, (e-reserves).

XII. Exchange Rates, Topics in International Monetary Economics

Ch. 13 FT (some topics will be skipped, e-reserves).

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.

Misconduct Statement

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with another student's work, or knowingly and intentionally assisting another student in any of the above.

The Dept. of Economics will deal with these offenses harshly following UWS14 procedures (<http://students.wisc.edu/saja/misconduct/UWS14.html>):

1. The penalty for misconduct in most cases will be removal from the course and a failing grade,
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You could also choose to contact our administrator (Mary Beth Ellis: mellis@ssc.wisc.edu) and your identity will be kept confidential.