

Economics 4413
International Trade
Fall 2012

Professor: Billy Mertens
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Office Hours: M 1-5pm; W 11:15-11:45am; Friday afternoons by appointment

Course Description:

In this course, we will study the theories, policies, and institutions of international trade. We will study these aspects of international trade at a fairly abstract and rigorous level. Although the analysis will be largely graphical in nature, the course materials and lectures will employ some mathematics. Among the issues that will be addressed are: (1) the fundamental determinants of the patterns of trade and the gains from trade; (2) the implications of imperfect competition for trade patterns and welfare; (3) how firms of different sizes and productivities engage in trade; (4) the effects of trade and investment barriers; (5) the rationale for regional free-trade agreements and multilateral trade rules; and (7) the role of international capital and labor movements. The economic, political, and social forces underlying many of the issues involved in international trade are complex, multi-faceted, and dynamic. They cannot be fully or easily analyzed in a professional lifetime, much less a one-semester course. They do, however, lend themselves extremely well to critical thinking and rational inquiry, which are the guiding principles of this course. Our goal is to become and remain informed about issues related to international trade and, even more importantly, acquire the ability to think about complex issues in a logical objective manner. Thinking critically is what permits us to differentiate between the illogical and the sensible, between the misleading use of statistics, misleading anecdotal evidence, and the reasonable presentation of information.

Prerequisites:

Students must have completed ECON 3070. It is NOT sufficient to take these courses concurrently. I assume that you did not only take the class, but also that you understand and remember the content. The prerequisites must be strictly enforced.

Readings:

We will be using Markusen and Maskus, *International Trade: Theory and Evidence*, Wiley Publishers, 2012. Note that this book is not yet in print. Professor Markusen has been kind enough to have the CU bookstore duplicate and bind chapters 1-20 for us, which are on sale there at cost: no fees or royalties are being collected.

Exams:

There will be three exams. Exams are not cumulative, but the material does build on itself so it is important to understand all of the concepts as we go. To be fair to everybody, I will not answer ANY questions during exams (even about typos) – this puts everyone on equal footing during the exams. **Exams will be given in class on the days listed. Note that the exam dates below are not tentative – exams will be given in class on the days listed. NO EXAMS WILL BE DROPPED!!**

Grading:

| | |
|---|------|
| In-class assignments: | 12%* |
| Exam 1: Friday, September 28 th | 21% |
| Exam 2: Monday, October 29 th | 22% |
| Exam 3: Friday, December 7 th | 20% |
| Final Exam: | |
| Monday, December 17 th 1:30 – 4:00pm | 25% |

Grading Disputes:

If you have a dispute on a test, then you must put your issue in writing and submit it to me. Subsequently, your entire exam will be regraded. Do NOT email me about a grading dispute – grades cannot be discussed over email and I cannot respond to any grading questions over email!

Incompletes, Extra Credit, etc.:

I adhere strictly to the University guidelines on Incompletes (“An I is given only when students, *beyond their control*, have been unable to complete course requirements. A substantial amount of work must have been *satisfactorily completed* before approval for such a grade is completed.”). Bad grades, unsatisfactory performance, too many credit hours, work conflicts, etc. are not reasons for an incomplete.

I am adamant about giving each student an equal opportunity to perform well in the course, so there will be no extra credit opportunities that are not offered to the entire class. You should focus your efforts on learning the material and doing well on the exams.

Tentative Course Schedule:

PART II: DETERMINANTS OF TRADE

This section analyzes the different underlying causes of international trade and the gains from trade.

1. Differences in Technology between Countries.
MM, chapters 6 and 7
2. Differences in Factor Endowments between Countries.
MM chapters 8 and 9
3. Distortions and Externalities as Determinants of Trade.
MM chapter 10
4. Imperfect Competition and Increasing Returns I: oligopoly
MM chapter 11
5. Imperfect Competition and Increasing Returns to Scale II: monopolistic competition
MM chapter 12
6. Trade Costs
MM chapter 13 (we might skip this chapter)
7. Demand Determinants of Trade
MM chapter 14 (we will likely skip this chapter)

PART III: FACTOR TRADE AND DIRECT FOREIGN INVESTMENT

This section of the course looks at trade in factors of production and direct foreign investment by multinational firms.

1. Trade in Factors of Production
MM chapter 15
2. Direct Foreign Investment and Multinational Firms
MM chapter 16
3. Fragmentation, Offshoring, and Trade in Services
MM chapter 17 (might skip this chapter)

PART IV: TRADE POLICY

The final part of the course analyzes the principal tools that governments use to influence trade. We analyze the effects of the policies and try to understand the reasons that governments choose the policies they do.

1. Tariffs
MM Chapter 18
2. Quotas
MM chapter 19

3. Strategic Trade Policy

MM chapter 20

4. Preferential Trade Areas

MM chapter 21 and/or class notes

5. The Political Economy of Trade Policy

MM chapter 22 and/or class notes

Some Additional Policies:

Material from a Missed Lecture: If you miss a lecture-based class, you are responsible for

Disabilities

If you qualify for accommodations because of a disability, please submit to your professor a letter from Disability Services in a timely manner (for exam accommodations provide your letter at least one week prior to the exam) so that your needs can be addressed. Disability Services determines accommodations based on documented disabilities. Contact Disability Services at 303-492-8671 or by e-mail at dsinfo@colorado.edu.

If you have a temporary medical condition or injury, see Temporary Medical Conditions: Injuries, Surgeries, and Illnesses guidelines under Quick Links at Disability Services website and discuss your needs with your professor.

Religious holidays

A comprehensive calendar of the religious holidays most commonly observed by CU-Boulder students can be found at <http://www.interfaithcalendar.org/> Review this list and the class syllabus. After reviewing the syllabus, please see the instructor if you believe that you need an accommodation for religious reasons. The instructor should be notified within the first two weeks of classes. Campus policy regarding religious observances states that faculty must make *reasonable* accommodation for them and in so doing, be careful not to inhibit or penalize those students who are exercising their rights to religious observance. For more information see http://www.colorado.edu/policies/fac_relig.html

Code of Behavior

Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline.