

**BOSTON COLLEGE**  
**Department of Economics**  
**Syllabus**

Ec 371  
International Trade  
Spring 2009  
T-Th 12:00  
Campion 231

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Office Hours: M 3:30-4:30, T 10:30-11:30, Th. 10:30-11:30 or by appointment

I have a limited reading list in the belief that less is more in learning economics. I expect to occasionally supplement the reading list with some current material from the flood of media generated data on trade issues, particularly from the Economist. I encourage students to do likewise.

Practice thinking like an economist as you read or listen to popular descriptions of economic affairs; you will enjoy understanding more about the world and become more adept at taking exams in economics. Also, you may impress your friends (though this can easily backfire) and eventually prospective employers or clients.

Memorizing is not a successful strategy in this course; practicing analysis is. **Past experience indicates it is very useful to read the text before the lecture.**

Academic integrity is central to the mission of higher education. Please observe the highest standards of academic integrity in this course. Please review the standards and procedures that are published in the university catalog and on the web, at: (<http://www.bc.edu/offices/stserv/academic/resources/policy/#integrity>). Make sure that the work you submit is in accordance with university policies. If you have any questions, please consult with me. Violations will be reported to the Deans' Office and reviewed by the College's Committee on Academic Integrity. This could result in failure in the course or even more severe sanctions.

Ec 371 Course Requirements:

The first term exam is February 12 (30%). The second term exam is March 26 (30%).

The final exam (40%) will be at the scheduled time. Exams missed without prior consent of instructor (given only in extraordinary circumstances) will be graded "F." I never give makeup exams.

Attendance is required. More than 3 unexcused absences reduce your grade in the course by one step (e.g. B to B-). I take attendance.

Homework assignments and class participation count in determining whether you get the benefit of the doubt.

TEXTBOOK: Paul Krugman and Maurice Obstfeld, International Economics: Theory and Policy 8th Ed., Addison Wesley, 2008.

\* denotes optional reading

OTHER Sources

1. D. Irwin, Free Trade Under Fire, Princeton U. Press, 2002. Useful summary of current research by economists on issues raised by anti-globalists.
2. P. Rivoli, The Travels of a T-shirt in the Global Economy, Wiley, 2004. A fascinating journalistic case study of the chain of persons connected by the T-shirt trade.
3. M. Levinson, The Box, Princeton University Press, 2006. Terrific study of the development of containerization.
4. P. Seabright, The Company of Strangers, Princeton University Press, 2004. Big picture social science on the evolution of institutions of modern trade.
5. American Trade Politics, 4th Ed., I.M. Destler, Institute for International Economics, 2005. A very interesting survey of the politics of international trade policy.

Web Sites

Krugman-Obstfeld text site:

[http://occ.awlonline.com/bookbind/pubbooks/krugman\\_awl/](http://occ.awlonline.com/bookbind/pubbooks/krugman_awl/). This site has many suggestions for applications of the analyses and links to other sites with opinion and data.

WTO: [www.wto.org](http://www.wto.org) vast amount of information about the WTO and its dispute settlement processes. (How secretive is this organization?)

Trade negotiations web page:

<http://www.cid.harvard.edu/cidtrade> lots of news and opinion on a wide range of trade negotiation issues.

USTR reports: <http://www.ustr.gov/reports/index.html>. USTR is the negotiation arm of US trade policy making; these are its briefs for disputes.

The Economist: [www.economist.com](http://www.economist.com). Lots of their excellent current stories and opinion are free.

Deardorff's Glossary of International Economics terms: <http://www-personal.umich.edu/~alandear/glossary/>

## Course Outline

### Background

K&O, ch. 1, Irwin ch. 1, Anderson essay in New Palgrave Dictionary  
([www2.bc.edu/~anderson/PalgraveTrade.pdf](http://www2.bc.edu/~anderson/PalgraveTrade.pdf))

### I. Trade Patterns and Trade Costs

KO, ch. 2; Notes ([www2.bc.edu/~anderson/GravityNotes.pdf](http://www2.bc.edu/~anderson/GravityNotes.pdf))

Extra: J. Anderson and E. van Wincoop, "Trade Costs", *Journal of Economic Literature*, 2004.

Exercises: 1-4.

### II. Determinants of Trade and Factor Returns

#### 1. Trade between Dissimilar Countries: I, Classical Theory

KO, ch. 3

Exercises: 1-9, pp 48-9.

#### 2. Trade between Dissimilar Countries: III, Specific Factors

notes to be distributed (based on KO, 6<sup>th</sup> Ed., ch. 3).

#### 3. Trade between Dissimilar Countries: II, Factor Proportions

KO, ch. 4

Exercises: 1-7.

#### 4. The Standard Model

KO, ch. 5

Exercises: 1-10.

#### 5. Trade between Similar Countries

KO, ch. 6

Exercises: 1-3, 5-8.

#### 6. Factor Movements

KO, ch. 7

Exercises: 1-8, 10.

### III. Applications of trade theory

#### 1. Trade Policy Instruments and their Effects

Readings: KO, Ch. 8

(2-3 lectures)

Irwin, ch. 2

\*R.C. Feenstra, "How Costly is Protectionism?", *J. of Econ. Perspectives*, 1992, pp 159-78.

\*Anderson and van Wincoop, "Trade Costs", *J. of Econ. Lit.* Sept. 04, pp 691-723.

Exercises: 1-4, 6, 7, 9. (pp 196-7)

(1-2 lectures)

2. Political Economy of trade

Readings:

(2-3 lectures)

KO, ch. 9

Markusen et al., ch. 19.

Irwin, ch. 3

E. Gresser, "Toughest on the Poor", Foreign Affairs, Nov./Dec. 2002.

Exercises: 1-4, 6-9.

3. Trade Policy in Developing Countries

Readings:

KO, Ch. 10

(2 lectures)

\*P. King and S. King, International Economics and International Economic Policy: A Reader, 4<sup>th</sup> Ed, chs. 15 and 17.

4. Controversies in Trade Policy

Readings:

KO, ch. 11