

DREW UNIVERSITY
Department of Economics
Econ 124 – International Trade
Fall 2010

Dr. Bilge Erten

Office: HSC 338

Office Hours: MW 2:30-4:00 PM or by appointment

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Class time and location: MWF 10:40-11:30 AM at HSC S305

Course Description

This course is designed to introduce students to the theories of international trade and their applications to recent developments in the global economy. The core models of international trade that will be covered include: (a) the Ricardian model, (b) the Specific-Factors Model, (c) the Heckscher-Ohlin Model; (d) the New Trade Theory (Increasing Returns to Scale, Imperfect Competition, Outsourcing). The rest of the course will focus on international trade policy, its historical applications, and its relationship to economic growth and social welfare.

Course Materials

Required Text:

Feenstra, R. and A. M. Taylor, *International Trade*, First Edition, New York: Worth Publishers, 2008.

Suggested Supplementary Texts:

Krugman, P., and M. Obstfeld, *International Economics: Theory and Policy*, Ninth Edition, Boston: Addison Wesley, 2006.

Chang, H. 2008. *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*. New York: Bloomsbury Press.

Chang, Ha-Joon, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, London: Anthem Press, 2002.

Rodrik, Dani, *Has Globalization Gone Too Far?* Washington: Institute for International Economics, 1997.

In addition to the textbook, supplementary readings will be either placed in reserve of the DU Moodle system or distributed during class time. It is your responsibility to make your own copies, if necessary.

Work Requirements and Grading

Problem Sets (4)	30% (300 pts)
Midterm	20% (200 pts)
Final exam	30% (300 pts)
Classroom Participation	20% (200 pts)

1. The problem sets are intended to help you practice for the exams. They will be due on September 20, October 11, November 8, and December 3. The midterm will be held during regular class hours on October 20. It is your responsibility to discuss any schedule conflicts with me individually at least one week prior to the midterm exams. The final exam date will be announced later.
2. Attendance in class is required and is considered in your participation grade, which counts for 10% of your final grade. Students are allowed **only** a week's worth of unexcused absences. Every additional week's worth of additional absences will result in a loss of a **full letter grade**.
3. **Coming to class on time** is also considered in the participation grade (10%).
4. **Class participation** is required. Questions, comments, and discussion are strongly encouraged, as is seeking assistance from the instructor outside the classroom (during office hours, or by appointment).
5. **Required readings** are absolutely required readings, including class handouts and material posted on Moodle.
6. **Late assignments will be devalued by 10% per class session.**
7. **Cell phones and beepers are not allowed** in the classroom, they must be turned off. If you need to have such devices with you for work-related or medical reasons you need to have the instructor's permission in advance.
8. **Laptops are not allowed** in the classroom, unless we have an exercise that requires the use of laptops. An exception is provided with documentation from the Office of Educational Services.
9. Students are required to check their Drew email account on a regular basis. Students will receive email reminders for readings, exams, handouts, and other

course-related information. The instructor will send an email when new material is posted on Blackboard. **Reading course related emails** also counts in class participation grade.

Your grade will be determined based on the percentage of points earned, and the following scale will be used to determine your grade for the course:

<u>Grade</u>	<u>Percentage</u>	<u>Points</u>
A	94-100	940-1000
A-	90-93	900-930
B+	87-89	870-890
B	84-86	840-860
B-	80-83	800-830
C+	77-79	770-790
C	74-76	740-760
C-	70-73	700-730
D+	67-69	670-690
D	64-66	640-660
F	0-63	0-630

Special Accommodations

Should any student require academic accommodations, request(s) must be formally processed with the Office of Educational Affairs (BC 114, extension 3327). Students are responsible for providing the instructor with the appropriate written documentation at least one week prior to any request for specific course accommodations. Completing and complying with this procedure is the student's responsibility. There are no retroactive accommodations.

Academic Integrity

Drew University regards academic honesty and scholarly integrity as indispensable to genuine learning and true scholarship. Cheating on examinations, papers or computer assignments, offering work done by others as one's own, using the words and ideas of others without proper acknowledgment, improperly providing information, papers, or projects to others, or falsifying the nature or results of one's research are inimical to learning and scholarship, and infringe on the mutual faith and trust essential to the academic enterprise. Students should be familiar with the Drew University Standards of Academic Integrity. Violations will be taken to the Dean of the College of Liberal Arts.

Notes on the Reading Materials

When you are reading the theoretical parts of the textbook, you should aim to absorb the content completely and precisely so that you can answer test questions accurately. When you are reading the case studies in the textbook and the supplementary readings, you should aim to broaden your knowledge by gaining some perspective of history, recent events, attitudes, and opinions. Your best guide to the points to emphasize from the readings is the discussion in lecture. Numerous questions on the two midterms and on the final will be drawn from the supplementary readings.

Course Outline

Week 1. Introduction: Trade in the Global Economy

Feenstra and Taylor (2008), Chapter 1.

Coughlin, Cletus, C., "The Controversy Over Free Trade: The Gap between Economists and the General Public," *Federal Reserve Bank of Saint Louis*, 2002. Available at:

<http://www.research.stlouisfed.org/publications/review/02/01/1-22Coughlin.pdf>

Chang, Ha-Joon, "Once Industrialised, Preach Free Trade", *South Bulletin* 40, July 30, 2002. Available at:

<http://www.southcentre.org/info/southbulletin/bulletin40/bulletin40.pdf>

Week 2. Trade and Technology: The Ricardian Model

Feenstra and Taylor (2008), Chapter 2.

Myint, H., "The 'Classical Theory' of International Trade and the Underdeveloped Countries," *Economic Journal*, 68 (270), 317-337, June 1958.

Week 3. Gains and Losses from Trade in the Specific-Factors Model

Feenstra and Taylor (2008), Chapter 3.

Week 4. Trade and Resources: The Heckscher-Ohlin Model

Feenstra and Taylor (2008), Chapter 4.

Stolper, W., and Samuelson, P., "Protection and Real Wages," *Review of Economic Studies*, 9 (1), 58-73, 1941.

Hanson, G., and Harrison, A., "Trade, Technology, and Wage Inequality," NBER working paper 5110, 1995.

Freeman, Richard, "Trade Wars: The Exaggerated Impact of Trade in Economic Debate," NBER working paper 10000, 2003. Available at: www.nber.org/papers/w10000

Week 5. Increasing Returns to Scale and Imperfect Competition

Feenstra and Taylor (2008), Chapter 6.

Krugman, Paul, "What Do Undergrads Need to Know About Trade?" *American Economic Review*, 83(2): 23-26, 1993.

Bhattacharjea, Aditya, "Krugman's Economics: An Introduction," *Economic & Political Weekly*, December 6, 2008.

Jomo K S and R. von Arnim, "Trade Theory Status Quo Despite Krugman," *Economic & Political Weekly*, December 6, 2008.

Week 6. Foreign Outsourcing of Goods and Services

Feenstra and Taylor (2008), Chapter 7.

Samuelson, P. "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization," *Journal of Economic Perspectives*, 18 (3): 135-14, 2004.

Week 7. Import Tariffs and Quotas under Perfect Competition

Feenstra and Taylor (2008), Chapter 8.

Wade, Robert Hunter, "What Strategies are Viable for Developing Countries Today? The World Trade Organization and the Shrinking of 'Development Space,'" *Review of International Political Economy*, 10(4), 621-644, 2003.

Week 8. Import Tariffs and Quotas under Imperfect Competition

Feenstra and Taylor (2008), Chapter 9.

Shafaeddin, Mehdi, "How Did Developed Countries Industrialize? The History of Trade and Industrial Policy: The Cases of Great Britain and the USA," UNCTAD working paper 139, 1998. Available at: www.unctad.org/en/docs//dp_139.en.pdf

Hallak, J. C., and Levinsohn, J., "Fooling Ourselves: Evaluating the Globalization and Growth Debate," NBER working paper 10244. Available at: www.nber.org/papers/w10244

Week 9. Export Subsidies in Agriculture and High-Technology Industries

Feenstra and Taylor (2008), Chapter 10.

Week 10. International Agreements: Trade, Labor, and the Environment

Feenstra and Taylor (2008), Chapter 11.

Week 11. International Trade and Economic Growth I

Chang, H. *Kicking Away the Ladder: Development Strategy in Historical Perspective*. Anthem Press, 2002. Chapters 1 and 2.

Ocampo, J. A. and R. Vos, "Has Trade Integration Caused Greater Divergence?" in *Uneven Economic Development*, New York: United Nations Publications, 2008.

Pritchett, L. "Divergence, Big Time," *The Journal of Economic Perspectives*, 11(3): 3-17, Summer, 1997.

Week 12. International Trade and Economic Growth II

Prebisch, R. *The Economic Development of Latin America and its Principal Problems*. United Nations Dept. of Economic Affairs, 1950.

Ocampo, J. A. and L. Taylor, "Trade Liberalization in Developing Economies: Modest Benefits but Problems with Productivity Growth, Macro Prices, and Income Distribution," *Economic Journal*, 108 (450), September, 1998.

Week 13. International Trade and Economic Growth III

Lall, S. "The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998," *QEH Working Paper Series*, 44, 2000.

Lall, S. and M. Albaladejo, "China's Competitive Performance: A Threat to East Asian Manufactured Exports?" *World Development*, 32 (9): 1441-1466, 2004.

Week 14. Course wrap-up and review for the final exam