

BROWN UNIVERSITY
DEPARTMENT OF ECONOMICS

INTERNATIONAL TRADE

“No nation was ever ruined by trade”—B. Franklin

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Economics 154

Section 1

Spring 2007

Class Website: @WebCT

Teaching assistant: Sheetal Sekhri

PRE-REQUISITE

EC 111 or 113.

GOALS

The goal of this class is to understand three main issues: (i) the pattern of international trade; (ii) the effect of trade on income distribution; and (iii) the effect of trade policy on a country's welfare. The class will use two integrated approaches. First, it will develop several theoretical models of international trade. The models will provide a framework to think about international trade problems. Second, the class will present important contemporary debates on issues such as globalizations, strategic trade, agricultural subsidies, NAFTA and other trade agreements, the work of the WTO, etc. Readings on these issues will form the basis for class discussions.

ASSESSMENT

75% of the grade: Exams. There will be three exams. The exams are individual, will be done in class, with closed books, and according to the following **Thursdays**:

Exam 1: February 22; Exam 2: March 22; Exam 3: April 26.

15% of the grade: Problem sets. Due dates will be assigned in class.

10% of the grade: Class participation. I expect class participation from students throughout the semester. An outstanding participant will routinely voice good comments, and always be on time for class. A good participant will occasionally express insightful comments, and be on time for class. I expect you all to be good or exceptional participants.

REQUIRED READINGS AND RESOURCES

1. Required: Textbook and Study Guide: Krugman, Paul and Maurice Obstfeld, International Economics: Theory and Policy, 7th edition. (Addison Wesley).
2. Special Readings and web pages will be posted in WebCT.

SUGGESTED CLASS PLAN

Please note that the chapter quiz, web-applications, and e-Theme may be accessed either through WebCt or by going to

http://wps.aw.com/aw_krgmnobstf_interecon_7

And clicking on “Student resources”

The lectures, articles for class discussion, and problem sets are in WebCT.

Chapter 1

Lecture: Introduction

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 1 Quiz: questions 1 through 7

Web-applications: None

e-Theme: "U.S. and Trade Partners Maintain Unhealthy Long-Term Relationship"

WebCt Article for class discussion:

Trade Bounty, The Economist, 12/2/04

Problem set for Chapter 1

Chapter 2

Lecture: The Gravity Model & Changing Patters of Trade

Study Guide: all problems

Textbook: all problems

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 2 Quiz

Web-applications: Do “Changing Composition of Trade”

e-Theme: China in Africa

WebCt Articles for class discussion:

S. Edwards, How Chile Can Make the Most of its US Trade Deal, WSJ 1/3/03

Frankel, Jeffrey and E. Cavallo, Trade Openness Reduces Financial Vulnerability

Sala-i-Martin, Xavier, Economic Growth is Reducing Global Poverty

Wei, Shang-Jin and Y. Wu, Globalization Reduces Inequality in China

Hanson, Gordon, Globalization and Poverty in Mexico

Problem set for Chapter 2

Chapter 3

Lecture: The Ricardian model

Study Guide: all questions

Textbook: all questions

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 3 Quiz

Web-applications: Do “Comparative Advantage”, year 2000. Add Saudi Arabia and Chile.

e-Theme: US Food Imports

Articles for class discussion:

Faster, cheaper, better, The Economist, 11/11/04

A world of opportunity, The Economist, 11/11/04

Paul Krugman “Reckonings: Hearts and Heads”, the NY Times, 4/22/01

Paul Krugman “Wal-Mart excuses”, the NY Times, 12/12/05

Edmonds, Eric & N. Pavcnik “Globalization reduces child labor in Vietnam”

Problem set for Chapter 3

Chapter 4

Lecture: The Heckscher–Ohlin Model

Study Guide: all questions

Textbook: all questions

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 4 Quiz

Web-applications: Do “Relative Prices and Distribution of Income”

e-Themes: It’s not New Jobs

Ford and GM

Articles for class discussion:

Hanson, Gordon “What happened to wages in Mexico since NAFTA?”

The Caribbean, The Economist 9/22/05

Trouble in Paradise, The Economist 11/21/02

Problem set for Chapter 4

Chapter 5

Lecture: The Standard Trade Model

Study Guide: all questions

Textbook: skip section in pages 97-98

Textbook: all questions

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 5 Quiz

Web-applications: Effects of a Tariff

Terms of Trade

e-Theme: China

Article for class discussion

Sokoloff, K. et.al. “Global links raise Asian countries’ productivity”

Problem set for Chapter 5

Chapter 6

Lecture: Economies of Scale & Imperfect Competition

Study Guide: all problems

Textbook problems: All problems. Please note that answer to problem No. 3 (provided in the study guide) is wrong.

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 6 Quiz

Web-applications: Illusionary intra-industry trade

e-Theme: Piracy in China

Articles for class discussion:

Friedman, Thomas “Losing our edge”, NY Times, 4/22/04

Friedman, Thomas “The great Indian dream”, NY Times 3/11/04

Romer, Paul, “It is all in your head”

To These the Spoils, The Economist, 5/9/02

Roots of development, The Economist, 1/3/02

Poverty’s chains, The Economist, 10/9/03

Problem set for Chapter 6

Chapter 7

Lecture: Immigration & capital movements

Study Guide: All problems except No. 3

Textbook problems: All problems except No. 6

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 7 Quiz

Web-applications: Immigration 2

e-Themes: Do these before class:

What unions can gain from immigration

Bush plan on immigration

Articles for class discussion:

Borjas, G. & L. Katz “The evolution of the Mexican workforce in the US”, NBER Digest, December 2005

Brown, D, A. Deardorff & R. Stern “Multinationals, wages & working conditions in developing countries”, NBER Digest, October 2003

The brain drain cycle, The Economist, 12/8/05

On the border, The Economist, 5/19/05

Dreaming of the other side of the wire, The Economist, 3/10/05

A price worth paying, The Economist, 5/30/02

Chapter 10

Lecture: Trade policy in developing countries

Study Guide: All problems except 1, 5 & 6

Textbook problems: All problems

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 10 Quiz

Web-applications: Trade as a percentage of GDP

Chile's opening

East Asia's miracle

e-Themes: US will cut farm subsidies

China agrees to phase out tax on imported chips

Articles for class discussion:

Tim Harford "Yes, we have bananas. We can't ship them", NY Times, 12/16/05

The harnessing of nature's bounty, The Economist 11/3/05

The great divide, The Economist, 3/3/05

World Bank and IMF, Aid for trade, in

Problem set for Chapter 10

Chapter 11

Lecture: Trade controversies

Great case studies: When the Chips were up

The shipbreakers of Alang

Study Guide: all problems

Textbook problems: all problems except No. 9

Resources from MyEconLab: http://wps.aw.com/aw_krgmnobstf_interecon_7

Chapter 11 Quiz

Web-applications: De-industrialization in the US

e-Theme: India sees backlash fading over boom in outsourcing

Articles for class discussion:

Grinding the poor, The Economist, 9/27/01

Nose to nose, The Economist, 6/23/05

An ill-times spat, The Economist, 3/23/05

Industrial metamorphosis, the Economist, 9/29/05

Frankel, Jeffrey & A. Rose "Is Trade good or bad for the environment?" NBER Digest, Nov. 2002

Problem set for Chapter 11