

INTERNATIONAL TRADE THEORY
300.707.01 and 300.707.02 Spring 2016
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Office Hours: Thursday, 3-4.30

Course Description

In this class, we will examine the basic theoretical models of international trade and discuss their empirical relevance in explaining the observed patterns of trade between nations. The second half of the course will discuss a variety of trade policy issues -- the gains from trade, the use of alternative trade policy instruments and the organization of the international trade system.

Readings

The required textbooks for this class are:

Krugman, P. and Obstfeld, M., International Economics Theory and Policy (K&O), 7th or newer eds. (Most recent edition has three co-authors: Krugman, Obstfeld and Melitz- KO&M)

There are also additional required readings as listed in the course outline. These readings that will complement the textbook will be posted on the ERes webpage. Some of these readings will not be discussed explicitly in class but you will be tested on them. They are generally non-technical articles on applications of issues we will discuss in lecture.

For supplemental non-required reading, I will put three additional books on reserve:

Appleyard, Field and Cobb, International Economics, 5th edition or newer eds, McGraw Hill, 2006

Feenstra and Taylor, International Economics, Worth Publishers.

Irwin, D. Free Trade Under Fire, Princeton University Press

First two of these books go over the same models covered in K&O (KO&M) and it might help if you are looking for alternative explanations. Note that 3 chapters from the second book are assigned as required reading.

Course Requirements

Grading will be based on a mid-term, a final examination and three problem sets.

Exams: There will be one **optional** mid-term and a **required and CUMULATIVE** final examination. Grading strategy is fully forgiving:

Students who took the midterm and received a higher grade in the midterm than the final: midterm will account for 40% and the final will account for 50%.

Students who did not (or could not) take the midterm or received a grade lower in the midterm than the final: the final will account for 90% of the grade (midterm- 0%).

The midterm is scheduled on **March 5th (SATURDAY)- 10.00am-1.00pm**. The final is on **May 4th (Wednesday)** as announced by the registrar's office. Please make sure you have no conflicts with these dates before enrolling. No make-up exams are scheduled for the midterm or the final.

Required problem sets: There will be three required problem sets accounting for 10% of the grade. I will only take into account your two highest problem sets. Late problem sets will NOT be accepted under ANY circumstance. You must hand in the problem sets **by 6.00pm** on the following dates:

Problem Set 1: February 17th
Problem Set 2: March 23rd
Problem Set 3: April 20th

Lecture/TA Schedule

Lectures will be held on Wednesdays at 10-12.30 and 2-4.30. Lectures on April 6th will be cancelled. Instead, lectures will be held during midterm week (March 2nd) to make up for this lecture.

There will be three teaching assistants who will hold weekly TA sessions and office hours:

Chris Crow (cpcrow@gmail.com)

Sara Eisemann (seisema1@jhu.edu)

Claire Warren (warrenclairem@gmail.com).

Three separate TA sessions will be held on Monday (TBA and 4.45-5.45) and Tuesday (4.45-5.45) of every week in TBA. The same TA will hold all three (identical) tutorials in a given week. The first tutorial will be held on February 1st.

Problems that will be solved during tutorials as well as practice problem sets will be posted on Blackboard. These extra practice questions (posted with answers) each week will not be graded. To succeed in this class, I strongly recommend you solve these questions in a timely manner. International Trade course is built up cumulatively. Do not skip class or textbook readings. It is literally true that each lecture is the foundation for the next lecture.

Examination Policy

Make-ups: No make-ups for the midterm or the final are scheduled. Only acceptable reasons for missing the required final are sickness (you need to provide a note from your doctor documenting that you are unable to take an exam. You should provide me with this note within a week of the final) and SAIS related travel (you should have the organizers of the trip send me an email during the first week of classes). If you miss the final due to any other reason you will receive a zero from that exam. Please check the dates of the final carefully and do not enroll in this class if you have any conflict. Since the midterm is optional, you do not have to let me know if you decide not to take it.

Requests for Re-grade: An appeal for re-grade of an exam should be typed in detail. To be considered, you need to sign the honor code policy that will be outside my door and hand it to me along with your appeal within one week of announcement of your grade.

Announcements: I will quite often use e-mail to make important class-related announcements. Please make sure you check your JHU e-mail account or have your e-mails forwarded to an account that you check frequently.

E-mail Policy

I will do my best to respond to e-mails within 24 hours (48 hours during the weekend). I will not respond to inquires about grades and class-related questions that will take more than 2-3 lines to explain. I will expect you to come to either my office hours or the TA office hours with such questions.

COURSE OUTLINE AND REQUIRED READINGS (Tentative)¹

1. Ricardian Trade Model (1,5 lecture)
K&O (or KO&M) Chapter 3
2. Specific factors Model (1,5 lectures)
KO&M Chapter 4 (or Krugman, P. and Obstfeld, M., 2003. International Economics Theory and Policy, **6th edition**. Chapter 3 and Appendix; **ERes**)
3. Neoclassical Trade Theory (2 lectures)
K&O Chapter 4, **ERes**
4. Empirical Evidence; International Trade and Income Inequality (1 lecture)
Foreign Outsourcing of Goods and Services – Simple Model of Outsourcing
Feenstra, R. and Taylor, A., 2008. “International Economics”. Chapter 7, **ERes**.
Goldberg and Pavcnik, Journal of Economic Literature, March 2007. “Distributional Effects of Globalization in Developing Countries”, pp. 39-82. **ERes**

Midterm (March 5th - 10.00am-1pm)

5. Economies of Scale, Imperfect Competition and Trade (1 lecture)
Feenstra, R. and Taylor, A., 2008. “International Economics”. Chapter 7, **ERes**.
K&O, Chapter 6 – p.114-135 (or KO&M Chapter 8 –p.155-171)
6. Tariffs- Partial Equilibrium (Small and Large Country) (1 lecture)
Logic of Multilateral Trade Agreements
Tariffs- General Equilibrium
K&O, Chapter 8 (or KO&M Chapter 9)
Feenstra, R. and Taylor, A., 2008. “International Economics”. pp. 394-399; **ERes**
7. Quotas and VER- Partial Equilibrium (1 lecture)
Tariffs and Quotas under Imperfect Competition
Tariffs with Foreign Monopoly and Dumping
K&O, Chapter 8 (or KO&M Chapter 9)
Feenstra, R. and Taylor, A., 2008. “International Economics”. Chapter 9, pp.291-304. **ERes**
8. Export Subsidies in Agriculture and High-Technology Industries (1 lecture)
Feenstra, R. and Taylor, A., 2008. “International Economics”. Chapter 10; **ERes**.
9. Additional Arguments for Trade Protection and Theory of the Second Best (1 lecture)
Infant Industry Argument and Dynamic Comparative Advantage
Negative Consumption Externality
Chapter 9.5 in <http://internationalecon.com/Trade/Tch100/T100-4.php>
10. The World Trading System: The WTO, Trade Disputes, and Regional Trade Agreements (1 lecture)
Appleyard, Field and Cobb “International Economics”, pp.377-382; **ERes**
Irwin, D. “Free Trade Under Fire”, Chapter 7 (p.220-269); **ERes**

Final (May 4th- 9-12)

¹ This is to provide you with a rough outline. I will adjust my speed during lectures and as a result some topics will take longer than intended and some shorter.