Georgetown University

Department of Economics

Economics 243 Summer 2016 (Session I)

Instructor: Kin-ping Jeremy Wong M/T/W/H 10:45

International Trade

**Course Goals and Descriptions:**

This course is designed to equip students with the ability to understand and analyze issues in the international economy. The course materials will cover international trade theoretical tools (e.g. the Ricardian and Heckscher-Ohlin models) to understand the causes and consequences of open trade and trade policies on economic welfare. These tools will be useful in the discussion of specific topics such as the trade policy implications in developing countries, globalization and effects on economic growth and income distribution. It is expected that the course will also develop students’ analytical skills and ability to analyze socio-economic issues involving international trade.

**Textbook and Readings:**

The textbook for this course is **International Economics: Theory and Policy, 10th Edition** by Krugman, Obstfeld and Melitz. Older versions are also compatible. Extension readings on specific topics will be posted on the course webpage.

**Evaluation:** There will be approximately three to four problem, a mid-term exam and a final exam in this course. The weight applied to each assessment in determining the course grade is:

Problem Sets 20%

Mid-term Exam 35%

Final Exam 45%

**Course Outline**

Chapter 2: World Trade: An Overview

* Understand the importance of size with regard to the Gravity model
* Understand the changing pattern of world trade

Chapter 3: Labor Productivity and Comparative Advantage: The Ricardian Model

* Introduce the concept of comparative advantage
* Illustrate the Ricardian model in a one factor world and adding more complex setups
* Relative wage

Chapter 4: Specific Factors and Income Distribution

* Study international trade under the specific factors model framework
* Case study: Trade, immigration and unemployment
* Miscellaneous topics

Chapter 5: Resources and Trade: The Heckscher-Ohlin Model

* Make use of the Heckscher-Ohlin model to study the effects of international trade between two-factor economies
* Case studies
* Empirics

Chapter 6: The Standard Trade Model

* Tariffs and Export Subsidies: Simultaneous Shifts in RS and RD
* International Borrowing and Lending
* Case study: effects of growth of newly industrializing countries on advanced countries

Chapter 7: External Economies of Scale and International Location of Production

* Introduce the concept of external economies of scale and its implications on market structure
* Use the theory of external economies to study the choice of location for multinational firms

Chapter 8: Firms in the Global Economy: Export Decisions, Outsourcing, and Multinational Enterprises

* Review the models of imperfect and monopolistic competition and study the firm responses to trade
* Case studies: intra-industry trade and antidumping

Chapter 9: The Instruments of Trade Policy

* Basic tariff analysis
* Study other instruments such as import quotas, export subsidies and voluntary export restraints

Chapter 10: The Political Economy of Trade Policy

* Study the cases for and against free trade
* Income Distribution and Trade Policy
* International Negotiations and Trade Policy

Chapter 11: Trade Policy in Developing Countries

* Import-Substituting Industrialization
* Case studies

Chapter 12: Controversies in Trade Policy

* Study the implications of international trade on low-wage labor and the environment
* Case studies of the chip and metal industries