

University of Wyoming
College of Business
Department of Economics and Finance

Economics 4720-01
International Trade
TR 01:20-2:35 PM, Business College, Room BU 303
Spring 2005

Instructor: Ed Barbier
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Office Hours: Tuesday and Thursday 10:00-11:00 AM and 2:45-3:45 PM or by appointment
Class Homepage: See under <http://uwacadweb.uwyo.edu/barbier>
Required Textbook: Krugman, Paul R. and Maurice Obstfeld. 2003. *International Economics: Theory and Policy*, 6th ed. Addison Wesley, Boston.
Recommended: Goldberg, Linda S., Michael W. Klein and Jay C. Shambaugh. 2003. *Study Guide to Accompany International Economics: Theory and Policy*, 6th ed. Addison Wesley, Boston.
Course Prerequisites: ECON 1010, 1020, M1/QA and Junior Class Standing.
Course Description: This course explores the application of economic analysis to the gains and patterns of international trade in goods and services. The focus will be on introducing key economic theories of trade as well as the analysis of policies affecting international trade such as tariffs, quotas, preferential subsidies, etc.

Course Goals: The course has three objectives: 1) to introduce students to basic economic theories of international trade that attempt to address the question “why do nations trade?”; 2) to introduce students to the economic analysis of trade policies in answer to the question “what should a nation’s trade policy be?”; and 3) to introduce students to key current trade debates, such as the pros and cons of “globalization”, “free trade” vs “protectionism” and the growing “regionalization” of trade.

Learning Objectives: By completing the requirements of this course, students will be able to:

- (1) Understand basic economic models and theories of international trade.
- (2) Use economic analysis to explain current trade policies and trade-offs.
- (3) Understand the basic economics underlying current trade debates and issues.

Grading and Course Requirements: The academic requirements of this course consist of two in-class “special topics” tests, a final examination, and four take-home problem sets. Each student’s final grade in the course will be determined as follows:

Top three out of four problem sets	45% (15% each)
Two “special topics” tests	20% (10% each)
Final examination	35%

Each problem set must be handed in by the assigned due date. These are: **February 1, February 22, March 29 and April 19**. Any problem set handed in after its assigned due date will lose automatically ten points for each day late. If the problem set is more than three days late, it will not be graded and receive zero points. This policy is not negotiable. Although students are urged to complete all four problem sets, the problem set with the lowest grade will not count toward the final grade for the course. Undertaking all the problem sets will be an extremely valuable exercise in understanding the economic concepts and applications to various international trade problems that will be covered in the course. This will also be important preparation for the final exam.

Two “special topics” will be introduced in this course: **trade and the environment** and the **“resource curse”**. One week (i.e., two classes) will be devoted to each topic, which will have its own assigned reading. The first class will be devoted to a lecture on the topic. The second class will be a test based on the special topic lecture and reading. This test will involve mainly brief essay or discussion questions, although to answer them will require knowledge of the economic concepts, methods and applications covered in the special topic lecture and required reading. Under no circumstances will there be any make-up or early special topic tests.

The final examination is scheduled for **Tuesday May 3 from 1:15 to 3:15 pm**. The exam will involve answering two out of four essay or discussion questions. Their aim is to test students’ knowledge of the economic concepts, methods and applications covered in the entire course.

Attendance Policy: Students are expected to attend all classes. Any student who fails to attend regularly will inevitably fall behind and find that his or her performance is badly affected.

Academic Dishonesty: Also known as “cheating” academic dishonesty will not be tolerated in this class. Cases of academic dishonesty will be prosecuted in accordance with UNIREG 802 Rev.2. Cheating in this course can result in an “F” final grade. In this course, academic dishonesty includes (but is not limited to) unapproved assistance on examinations, copying the work of other students, plagiarism or other use of published materials without complete citations, or fabrication of referenced information, including purchasing and/or downloading from the internet others’ work without acknowledging this source.

Group Work Guidelines: Although no group work is anticipated in this course, students are encouraged to discuss lecture and text material with each other outside of class. Students may decide to work on the problem sets either on their own or with others. However, each student is responsible for submitting his or her own answers to each problem set, and will be graded accordingly.

Course Calendar: A tentative calendar for the course is indicated below under the heading **Course Readings and Schedule**.

Disclaimer: The instructor may need to modify the course requirements, grading standards and calendar during the teaching of the course this semester. If so, the instructor will notify all students in class of any changes and confirm these changes in a written memo, handout and/or email.

Course Readings and Schedule

Course Readings:

The required text for this course is:

Krugman, Paul R. and Maurice Obstfeld. 2003. *International Economics: Theory and Policy*, 6th ed. Addison Wesley, Boston.

It is also recommended that you purchase and use the accompanying study guide:

Goldberg, Linda S., Michael W. Klein and Jay C. Shambaugh. 2003. *Study Guide to Accompany International Economics: Theory and Policy*, 6th ed. Addison Wesley, Boston.

All students should obtain a copy of Krugman and Obstfeld (2003), and undertake the required reading from it assigned during the course. In addition by purchasing this book you should obtain access automatically to the companion web site to the text:

http://www.aw.com/krugman_obstfeld

It is recommended that you use this website during the course, if your purchase of the text allows it.

Occasionally, short readings and articles to supplement the two texts may be distributed in class. Such readings will be for your interest only.

Tentative Course Schedule:

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| Week 1:
1/11&13 | Introduction: Why Study International Trade?
Required reading: Krugman and Obstfeld, Chapter 1
Recommended: Study Guide, Chapter 1 |
| Week 2:
1/18&20 | The Comparative Advantage Theory of Trade
Required reading: Krugman and Obstfeld, Chapter 2
Recommended: Study Guide, Chapter 2 |
| Week 3:
1/25&27 | The Specific Factors Theory of Trade
Required reading: Krugman and Obstfeld, Chapter 3
Recommended: Study Guide, Chapter 3 |
| Week 4:
2/1&3 | Resources and Trade: The Hecksher-Ohlin Model
A Two-Factor Model of Trade
Required reading: Krugman and Obstfeld, Chapter 4
Recommended: Study Guide, Chapter 4
<i>First problem set due on Tuesday February 1.</i> |
| Week 5:
2/8&10 | Resources and Trade: The Hecksher-Ohlin Model
Empirical Relevance
Required reading: Krugman and Obstfeld, Chapter 4
Recommended: Study Guide, Chapter 4 |

- Week 6:** **The Standard Trade Model**
2/15&17 Required reading: Krugman and Obstfeld, Chapter 5
 Recommended: Study Guide, Chapter 5
- Week 7:** **Economies of Scale, Imperfect Competition and Trade**
2/22&24 Required reading: Krugman and Obstfeld, Chapter 6
 Recommended: Study Guide, Chapter 6
 Second problem set due on Tuesday February 22.
- Week 8:** **Special Topic 1: Trade and the Environment**
3/1&3 Required reading: to be assigned
 Special Topic 1 Test on Thursday March 3.
- Week 9:** **International Factor Movements**
3/8&10 Required reading: Krugman and Obstfeld, Chapter 7
 Recommended: Study Guide, Chapter 7
- Spring Break (3/14-3/18)**
- Week 10:** **The Instruments of Trade Policy**
3/22&24 Required reading: Krugman and Obstfeld, Chapter 8
 Recommended: Study Guide, Chapter 8
- Week 11:** **The Political Economy of Trade Policy**
3/29&31 Required reading: Krugman and Obstfeld, Chapter 9
 Recommended: Study Guide, Chapter 9
 Third problem set due on Tuesday March 29.
- Week 12:** **Trade Policy in Developing Countries**
4/5&7 Required reading: Krugman and Obstfeld, Chapter 10
 Recommended: Study Guide, Chapter 10
- Week 13:** **Controversies in Trade Policy**
4/12&14 Required reading: Krugman and Obstfeld, Chapter 11
 Recommended: Study Guide, Chapter 11
- Week 14:** **Special Topic 2: The “Resource Curse”**
4/19&21 Required reading: to be assigned
 Fourth problem set due on Tuesday April 19.
 Special Topic 2 Test on Thursday April 21
- Week 15:** **Course wrap up**
4/26&28
- Week 16:** **Final Exam: Tuesday May 3 from 1:15 to 3:15 pm.**