UNIVERSITY OF COLORADO BOULDER, COLORADO

Economics 4413 International Trade

James R. Markusen January 14, 2007

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Office: 216, e-mail: james.markusen@colorado.edu **Office Hours**: Monday, Wednesday, 8:30-9:30, 10:45-11:45

Course Outline and Reading List

The Course Outline given below lists the major topics we will deal with in this course. Markusen et.al. is the textbook. This textbook is currently out of print pending a revision. You can download the chapters for free from my website:

http://spot.colorado.edu/~markusen. Click on textbook on the left-hand selection list. The files are scanned, so they are pretty big require a highspeed connection to download and print.

Markusen, Melvin, Kaempfer, and Maskus, *International Trade: Theory and Applications*, McGraw Hill, 1995.

Bhagwati, In Defense of Globalization, Oxford, 2004.

Also, the notes I use in class are also posted on the same web site, click on teaching and then on 4413. These are large font slides, so I suggest that you print two (or even four) to a page.

Assessment in the course will consist of:

1st mid-term exam	25%	Tuesday February 20
2nd mid-term exam (date subject to change)	25%	Tuesday April 3
Take home on Globalization	25%	Tuesday April 17 at <i>latest</i>
Final Exam	25%	Set by registrar

Late penalty on take home: 5% of total essay marks per day

The exams will be analytical-essay type exams in which you will be asked, for example, to analyzed the relationship between two variables or assess the likely effects of some policy.

The book Globalization gives you a chance to learn about the practical links between economics and the globalization controversies currently debated around the world. The take-home exam will give you a set of essay questions which you will answer. The final exam and/or mid-terms will include some fill-in-the-blanks questions about the book to help insure that you actually read it!

In the lectures, I will try to present theory in the first half of the class period, and applications in the second half.

PART I: TECHNICAL TOOLS AND THE GAINS FROM TRADE

In this part of the course, we develop and review basic tools of microeconomic theory that we will use throughout the course.

- 1. Supply and Production Possibilities MMKM, Chapters 1 and 2.
- 2. Preferences, Demand, and Welfare MMKM, Chapter 3.
- 3. General Equilibrium in Open and Closed Economics MMKM, Chapter 4.
- 4. The Gains from Trade MMKM, Chapter 5.

PART II: DETERMINANTS OF TRADE

This section analyzes the different underlying causes of international trade and the gains from trade.

1. Differences in Technology between Countries.

MMKM, Chapters 6 and 7.

Skip section 5, chapter 7.

2. Differences in Factor Endowments between Countries.

MMKM, Chapters 8 and 9.

Skip section 6, chapter 8.

3. Government Policies as Determinants of Trade.

MMKM, Chapter 10.

Skip sections 4 and 5.

4. Imperfect Competition as a Determinant of Trade.

MMKM, Chapter 11.

Skip section 4.

5. Increasing Returns to Scale.

MMKM, Chapter 12.

Skip sections 5 and 6.

6. Preferences and Income as Determinants of Trade.

MMKM, Chapter 13.

PART III: TRADE POLICY

This part of the course analyzes the principal tools that governments use to influence trade. We analyzed the effects of the policies and try to understand the reasons that governments choose the policies they do.

- 1. Tariffs
 MMKM, Chapter 15.
 Skip section 7.
- Quotas
 MMKM, Chapter 16.

 Skip section 5.
- Imperfect Competition, Increasing Returns, and Strategic Trade Policy. MMKM, Chapter 17.
 Skip section 4.
- 4. Preferential Trade Areas MMKM, Chapter 18. Sections 1 and 2 only.
- 5. The Political Economy of Trade Policy MMKM, Chapter 19.

PART IV: FACTOR TRADE AND DIRECT FOREIGN INVESTMENT

The final section of the course looks at trade in factors of production and direct foreign investment be multinational firms.

- Trade in Factors of Production MMKM, Chapter 21. Skip sections 2 and 5.
- Direct Foreign Investment MMKM, Chapter 22.
 Skip section 4.
- 3. Intertemporal Trade MMKM, Chapter 23. Section 1 only.

International Trade - Economics 4413

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MMKM, Chapter 19.

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