

International Trade
Economics 6700, Spring 2010
California State University, East Bay
Dr. Leo H. Kahane

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Office Hours:
Tuesday, 12-1:30 p.m.
Thursdays, 3:30-5 p.m.
and by appointment.

As the global economy has become more interdependent and in light of the current global recession questions about the benefits and costs of trade between countries has come to the forefront. This class will address a number of core issues with regard to trade, including:

- What is the motivation for trading with other countries?
- Who gains/loses as trade between countries occurs?
- How does government policy affect trade and what are the welfare effects of these policies?
- What are the arguments for and against free trade?

Upon completion of this course students will have a better understanding of these issues and will be able to relate the materials covered in this course to trade policies discussed and implemented in the real world.

Required Text: *International Economics: Theory and Policy*, (8th edition) by Krugman and Obstfeld. In addition, students are strongly encouraged to stay abreast of current international trade issues by reading newspapers (e.g. The Wall Street Journal, The Financial Times, etc.) and related magazines (e.g. The Economist, Business Week, etc.). Other readings on particular topics will be assigned.

Evaluation: Grades will depend on the student's performance on the following:

- homework (10%)
- 1 in-class midterm exam (30%)
- final exam (30%)
- term paper (30%) – **due date: June 3, 2010**

Term papers should be written on a topic of international trade and should include a complete bibliography. There is not a set length, but a minimum of 7 pages is expected and paper presentations may be required. Further details about the term paper will be discussed in class.

NOTE: NO CLASS ON APRIL 22ND (FURLOUGH)

Course Outline

<u>Topics</u>	<u>Book</u>	<u>Other Readings</u>
I. Introduction to international economics and overview.	chs. 1,2;	Head, Keith. "Gravity for Beginners." (2003)
II. The Ricardian model and gains from trade.	ch. 3;	Krugman, "Ricardo's Difficult Idea"
III. Resource endowments, trade and income distribution.	ch. 4	Dollar and Kraay, "Trade, Growth and Poverty (2004)

Course Outline (cont.)

<u>Topics</u>	<u>Book</u>	<u>Other Readings</u>
IV. The "Standard Trade Model".	ch. 5	
V. Economies to scale, imperfect competition, and intraindustry trade.	ch. 6	
<<midterm: date to be announced>>		
VI. International factor mobility.	ch. 7	Freeman "People Flows in Globalization," (2006)
VII. Commercial policy, tariffs vs. quotas, voluntary export restraints, local content rules.	ch. 8	Krugman, "Is Free Trade Passé?" (1987)
VIII. The political economy of trade policy, including free trade zones and international trade agreements.	ch. 9	Tullock, "The Welfare Costs of Monopolies, Tariffs and Theft (1967). Rose, "Do We Really Know that the WTO Increases Trade?" (2004)
IX. Trade policy in developing countries,	ch.10	Stiglitz, "Social Justice and Global Trade," (2006)
X. Controversies in trade policy.	ch. 11	

Classroom Etiquette

In order to facilitate an effective learning environment, students are asked to follow the following rules:

- Please arrive on time as entering the classroom late is disruptive to the teacher and other students. If you must leave the class early, please notify the teacher before class begins.
- Please refrain from talking with fellow classmates during lecture. If you have a question about the material, raise your hand.
- Please turn cell phones off or set to silent.
- Please do not bring food to class.

Academic Dishonesty Statement

The University has a strict, written policy on academic dishonesty (see, from the University catalog: <http://www.csueastbay.edu/ecat/current/i-120grading.html#section12>). If dishonesty occurs, appropriate action will follow and an "Academic Dishonesty Incident Report" detailing the infraction and the action taken will be filed with the University.

Emergency Information

California State University, East Bay is committed to being a safe and caring community. Your appropriate response in the event of an emergency can help save lives. Information on what to do in an emergency situation (earthquake, electrical outage, fire, extreme heat, severe storm, hazardous materials, terrorist attack) may be found at: http://www.aba.csueastbay.edu/EHS/emergency_mngnt.htm
Please be familiar with these procedures. Information on this page is updated as required. Please review the information on a regular basis.