GEORGETOWN UNIVERSITY
School of Foreign Service and Department of Economics
ECON 243-03: International Trade
Fall 2005

Lectures: Monday and Wednesday, 8:50-10:05 am in ICC 101
Professor: Anna Maria Mayda
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Office Hours: Monday and Wednesday, 10:15-11:15 am in ICC 552. I am happy to talk with you outside office hours. It's a good idea to send me an email beforehand (to make sure I am available).

Teaching Assistant: Krishna Patel
Email: kp49@georgetown.edu
Office Hours: TBA

Honor Code
A student found in violation of the Georgetown Honor Code will receive an F for the course, in addition to any penalties imposed by the Honor Council. The Honor Council can be found at http://www.georgetown.edu/honor/.

Course Description
This class is divided into two parts. In part I, we will study models of trade - the Ricardian model, the specific-factors model, the Heckscher-Ohlin model and the increasing-returns-to-scale model - to understand the patterns, determinants, and consequences of international trade. Topics covered in this part include the effect of trade on wages and income distribution and the relationship between trade and immigration (which is an alternative dimension of the process of international integration). In Part II we will analyze the tools used by governments to conduct trade policy (e.g., tariffs and quotas) and their impact on trade volumes and welfare. We will also investigate the political economy of governments' trade policy decisions and of the world trading system, with special emphasis on the WTO and on preferential trade agreements.

Grading
There will be four problems sets and two exams - a midterm and a final. In addition, at the end of the semester, each of you will take part in a trade debate. The weight applied to each assignment in determining the course grade is:

Problem sets: 20%
Midterm exam: 20%
Trade debate (including written report): 20%
Final exam: 40%
Problem sets: They must be turned in, at the latest, at the beginning of class on the due date (please see due dates below). I will post solutions to the problem sets on Blackboard immediately after they are due. As a result, I will not accept problem sets that are turned in late. However, each student's problem set with the lowest grade will be dropped.

Trade Debates: Each of you will be randomly assigned to a team. You will be given a topic and a position in the debate (pro or con), which you need to research and argue. Each team must prepare a 5-page written report and engage the opposing team in a 30-minute, in-class debate.

Midterm exam: Please note that the date of the midterm cannot be moved. I will allow exceptions only in the case of illness, family emergency, or participation in a University-sponsored event. In these instances, you will need to contact me beforehand. You will also need to document your reason for rescheduling the exam: a note from your physician or a phone call from your Dean will be adequate documentation.

Final exam: If you have an official conflict for the final exam, conflict exams will be held on Tuesday, December 20, 4:00-6:00 pm. Conflict exams must be approved by your Dean's office.

Due Dates of Problem Sets: PS#1 (9/21), PS#2 (10/3), PS#3 (10/12), PS#4 (11/14)
Midterm Exam: Monday, October 17, class time
Final Exam: Tuesday, December 13, 9:00-11:00 am

Readings

COURSE OUTLINE¹ (all the material in the course outline is required)

Part I. FUNDAMENTAL DETERMINANTS OF INTERNATIONAL TRADE

1. Introductions (8/31)
The Pattern of Trade: An Introduction to the Data
   • Krugman and Obstfeld, Chapters 1 and 2
   • Husted and Melvin, Chapter 1

¹ The course outline is based on chapter numbers of the Seventh Edition of Krugman and Obstfeld, except otherwise noted.

2. **The Standard Trade Model (9/7, 9/12)**
   • Krugman and Obstfeld, Chapter 5 up to page 99 (that is, excluding "Tariffs and Export Subsidies: Simultaneous Shifts in RS and RD")

3. **Technological Differences: The Ricardian Model (9/14, 9/19)**
   • Krugman and Obstfeld, Chapter 3
   • Krugman, Paul (1996), "Ricardo's Difficult Idea"

4. **Factor Abundance Differences (I): The Specific-Factors Model (9/21, 9/26)**
   • Krugman and Obstfeld, Chapter 3 from Sixth Edition of Krugman and Obstfeld (Appendix included)

5. **Factor Abundance Differences (II): The Heckscher-Ohlin Model (9/28, 10/3)**
   • Krugman and Obstfeld, Chapter 4 up to page 71 (Appendix included)

6. **Midterm Exam Review Session (10/12)**
   • Krugman, Paul (1993), "What Do Undergrads Need to Know about Trade?," American Economic Review (in Pop Internationalism)

7. **MIDTERM (10/17)**

8. **Empirical Evidence on International Trade Models (10/19)**
   • Krugman and Obstfeld, Chapter 4 (from page 71 on)
   • Husted and Melvin, Chapter 5 (up to page 133)

9. **Economies of Scale and Imperfect Competition (10/19, 10/24)**
   • Krugman and Obstfeld, Chapter 6

10. **International Migration (10/26)**
    • Krugman and Obstfeld, Chapter 7 (up to page 154)
    • The Economist (2002), "The Longest Journey: A Survey of Migration"
Part II. TRADE POLICY

11. **Trade Policy Theory** (10/31, 11/2)
   - Krugman and Obstfeld, Chapter 8
   - Krugman and Obstfeld, Chapter 5 from page 99 on: "Tariffs and Export Subsidies: Simultaneous Shifts in RS and RD"
   - Feenstra, Robert (1992), "How Costly is Protectionism?", *Journal of Economic Perspectives*
   - Krugman, Paul (1987), "Is Free Trade Passe'?," *Journal of Economic Perspectives*

12. **The Political Economy of Trade Policy** (11/7, 11/9)
   - Krugman and Obstfeld, Chapter 9 (up to page 222)

   - Krugman and Obstfeld, Chapter 9 (from page 223 on)
   - Husted and Melvin, Chapter 8 (pages 224-230)

   - Husted and Melvin, Chapter 8 (excluding pages 224-230)

15. **Trade Policy in Developing Countries** (11/28)
   - Krugman and Obstfeld, Chapter 10
   - Dollar, David and Aart Kraay (2001), "Trade, Growth and Poverty," *Finance and Development*

16. **Trade Debates** (11/30, 12/5)
    Information on the topics of the trade debates and corresponding required readings will be handed out later in the course.

17. **Final Exam Review Session** (12/7)