

# Winter 2024

## Economics 361 INTERNATIONAL TRADE

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Time: Tue&Thu 9:30-10:50, Fri 10:00-10:50  
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**COURSE DESCRIPTION:** The course begins with a discussion of the pros and cons of free trade and globalization. It provides a survey of leading theories of international trade to understand the causes and consequences of international trade and implications of globalization. Then it proceeds with an examination of various trade-policy instruments to provide the ability of conducting and evaluating economic analysis related to international trade. A part of the course will be devoted to some other recent-debate issues.

**PREREQUISITES:** Econ 310-1, 310-2 (recommended)

**TEACHING METHODS:** Two 80-minut lectures per week

**EVALUATION METHOD:** Grades based on four problem sets (20%), a short essay (15%), a midterm (25%), and a final exam (40%), extra points from quizzes

**READINGS:** Basic Textbook - "International Economics: Theory and Practice" by Krugman, Obstfeld, and Melitz, Addison-Wesley; editions no earlier than the 9th

## SYLLABUS

### Lecture 1 (January 4): Introduction, Globalization

\*[KO], Chapter 2

Problem Set 1 Distributed

A. Deardorff and R. Stern, "What the Public Should Know about Globalization and the World Trade Organization".

<http://www.fordschool.umich.edu/rsie/workingpapers/Papers451-475/r460.pdf>

(See [https://www.wto.org/english/tratop\\_e/dispu\\_e/dispustats\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/dispustats_e.htm) more recent dispute settlement statistics. And even Wikipedia gives more recent data regarding tariff rates.)

Esteban Ortiz-Ospina, Diana Beltekian and Max Roser (2018) - "Trade and Globalization". Published online at OurWorldInData.org. Retrieved from: 'https://ourworldindata.org/trade-and-globalization' [Online Resource]

<https://ourworldindata.org/trade-and-globalization#citation>

P. Krugman, "What do Undergrads Need to Know about Trade", American Economic Review 83 (1993) Vol. 2, 23-26.

<http://pzacad.pitzer.edu/~lyamane/poptrade.html>

D. Irwin, "The United States in a New Global Economy? A Century's Perspective", American Economic Review 86 (1996) Vol. 2, 41-46.

<http://www.jstor.org/stable/2118093?seq=2>

## **Lectures 2 and 3 (January 9 and 11): Comparative Advantage, Ricardian Model**

\*[KO], Chapter 3

The Economist: A healthy re-examination of free trade's benefits and shocks An interview with John Van Reenen of MIT, May 4, 2018

<https://www.investopedia.com/terms/c/comparativeadvantage.asp>

P. Krugman, "Ricardo's Difficult Idea", Manchester Conference on Free Trade, March 1996.

<http://web.mit.edu/krugman/www/ricardo.htm>

Eaton, Jonathan and Samuel Kortum (2012) "Putting Ricardo to Work." Journal of Economic Perspectives, 26(2): 65-90.

<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.26.2.65>

The Economist: "Schools brief: the miracle of trade." January 27th, 1996

## **Lectures 4, 5 and 6 (January 16, 18, 23): Richer Models of Trade**

\*[KO], Chapters 4 (except last section) and 5

Problem Set 2 Distributed (January 16)

Problem Set 1 Due (January 16)

Economist, "Economics brief – Six big ideas: An inconvenient iota of truth." August 6th, 2016.

Economist, "Economic focus: Trade and wages." December 6th, 1996

Economist, "Economic focus: Krugman's conundrum." April 19th, 2008.

Economist, "Free exchange: Trade in the balance." February 6th, 2016.

## **Lecture 7 (January 25): Consequences of Trade for Labor Markets**

[http://www.petersoninstitute.org/publications/chapters\\_preview/57/2iie2415.pdf](http://www.petersoninstitute.org/publications/chapters_preview/57/2iie2415.pdf)

P. Krugman and R. Lawrence, "Trade, Jobs, and Wages"

<http://www.nber.org/papers/w4478.pdf>

R. Freeman, "Are Your Wages Set in Beijing?", Journal of Economic Perspectives, Summer 1995, 15-32.

<https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.9.3.15>

P. Krugman, "In Praise for Cheap Labor", Slate, March 1997.

<https://slate.com/business/1997/03/in-praise-of-cheap-labor.html>

The Economist: "Trade and wages" December 6th, 1996

David Author “Trade and labor markets: Lessons from China’s rise,” IZA World of Labor  
<https://wol.iza.org/uploads/articles/431/pdfs/trade-and-labor-makets-lessons-from-chinas-rise.pdf?v=1>

Bernard Hoekman and L. Alan Winters “Trade and Employment: Stylized Facts and Research Findings,”  
DESA Working Paper 7  
<file:///C:/Users/wol737/Downloads/1597341811.8817-1.pdf>

## **Lecture 8 (January 30): Conducting and Evaluating Economic Analysis within Standard Trade Models**

\*[KO], Chapter 6 (except last section)

Sample Midterm Distributed

## **Lectures 9 (February 1): Environment**

H. Nordstrom and S. Vaughn, “Trade and Environment”, World Trade Organization Special Studies No. 4,  
Geneva 1999, pp. 1-65.  
[http://www.wto.org/english/tratop\\_e/envir\\_e/environment.pdf](http://www.wto.org/english/tratop_e/envir_e/environment.pdf)

“Trade and Environment at the World Trade Organization” – a document prepared by the WTO Secretariat  
in 2004  
[http://www.wto.org/english/res\\_e/booksp\\_e/trade\\_env\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/trade_env_e.pdf)

The Economist, “Making trade greener,” October 6, 2021

Jeffrey A. Frankel & Andrew K. Rose, “Is Trade Good or Bad for the Environment? Sorting Out the  
Causality,” NBER Working Paper 9201  
[https://www.nber.org/system/files/working\\_papers/w9201/w9201.pdf](https://www.nber.org/system/files/working_papers/w9201/w9201.pdf)  
(for a summary, see <https://www.nber.org/papers/w9201>)

## **Lecture 10 (February 6): MIDTERM EXAMINATION**

Problem Set 2 Due

## **Lectures 11 and 12 (February 8 and 13): Trade Protection Policies**

Problem Set 3 Distributed (February 8)

\*[KO], Chapter 9

The Economist: “Outsourcing: Getting the measure of it” July 2nd, 2005  
The Economist: “Rivulets and riptides.” September 13th, 2007

The Economist: Finance and economics “What America’s protectionist turn means for the world” January  
14th, 2023

IMF: “Growing Threats to Global Trade,” Pinelopi K Goldberg and Tristan Reed, June 2023  
<https://www.imf.org/en/Publications/fandd/issues/2023/06/growing-threats-to-global-trade-goldberg-reed>

Douglas A. Irwin, “Trade Restrictiveness and Deadweight Losses from US Tariffs,”  
*American Economic Journal: Economic Policy*, Vol. 2, No. 3 (August 2010), pp. 111-133.

<https://www.jstor.org/stable/25760076?seq=1>

**Lecture 13** (February 15): Trade Policy and Monopoly, Oligopoly Profits

**Lecture 14** (February 20): Cost of Protectionism, Trade Politics

\*[KO], Chapter 10

R. Feenstra, "How Costly is Protectionism", *Journal of Economic Perspectives* 6 (1992), 159-178.  
<http://www.jstor.org/view/08953309/di980572/98p0047n/0>

R. Baldwin, "The Political Economy of Trade Policy", *Journal of Economic Perspectives* 3 (1989), 119-135.  
<http://www.jstor.org/view/08953309/di960528/96p0011g/0>

Douglas A. Irwin, "Trade Restrictiveness and Deadweight Losses from US Tariffs," *American Economic Journal: Economic Policy*, 2 (2010), 111-133.  
<https://www.jstor.org/stable/25760076>

A. O. Krueger, "Are Preferential Trading Arrangements Trade-liberalizing or Protectionist?" *Journal of Economic Perspectives*, 13 (1999), 105-124.

The Economist: "Buying off the opposition." November 8th, 2007

S.E. Landsburg, "What to expect when you're free trading" *New York Times*, January 16th, 2008

Kadee Rus, "The Costs of U.S. Tariffs Imposed Since," *Econofact*, 2018 Oct. 10, 2019  
<https://econofact.org/the-costs-of-u-s-tariffs-imposed-since-2018>

**Lecture 15** (February 22): Miscellaneous (including Economies of Scale)

Problem Set 3 Due

Problem Set 4 Distributed

\*[KO], Chapter 7

The economist: "Is big business really getting too big?" Jul 12th 2023

This article appeared in the Business section of the print edition under the headline "How bad is being big?"

<https://www.economist.com/business/2023/07/12/is-big-business-really-getting-too-big>

The economist: "Bold strokes," Oct 16th 2008

<https://www.economist.com/finance-and-economics/2008/10/16/bold-strokes>

A.B. Bernard, J.B. Jensen, S.J. Redding, and P.K. Schott, "Firms in international trade" *Journal of Economic Perspectives* 21 (2007), 105-130.

The Economist: "Survey on world trade: Why trade is good for you." October 3rd, 1998

**Lecture 16** (February 27): A Discussion of Selected Short Essays

## Lecture 17 (February 29): Capital Movement, Migration

\*[KO], last sections of Chapters 4 and 6, Chapter 8

Bhagwati, Jagdish, Arvind Panagariya, and T.N. Srinivasan (2004). "The Muddles Over Outsourcing." *Journal of Economic Perspectives*, 18(4): 93-104.

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Freedman, Richard (2006). "People Flows in Globalization." *Journal of Economic Perspectives*, 20(2): 145-170.

The Economist: "Migration: of bedsheets and bison grass vodka" January 5th, 2008

The Economist: Why migration is in such a mess once more, Nov 9th 2023

<https://www.economist.com/international/2023/11/09/why-migration-is-in-such-a-mess-once-more>

The Economist, YouTube: How migration could make the world richer

<https://www.youtube.com/watch?v=fjKYtfpe1a0>

The New Yorker: Economists Love Immigration. Why Do So Many Americans Hate It? Jun. 5, 2023

<https://www.newyorker.com/magazine/2023/06/12/immigration-economy-book-reviews>

## Lecture 18 (March 5): Trade Policy in Developing Countries, Controversies in Trade Policy

\*[KO], Chapters 11 & 12

G. Grossman, "Promoting New Industrial Activities: A Survey of Recent Arguments and Evidence", *OECD Economic Studies* 14 (1990), 87-125.

<http://www.oecd.org/dataoecd/61/49/34306065.pdf>

The Economist: "The challengers" January 10th, 2008

The Economist: "Economic focus: punch-up over handouts" March 26th, 2005

The Economist: "Mangling trade" June 30th, 2007

You may wish to read Introduction in *The Economics of Pollution Havens*, 2006, **from the Selected**

**Works of Don Fullerton**

[file:///C:/Users/wol737/Downloads/fulltext\\_stamped.pdf](file:///C:/Users/wol737/Downloads/fulltext_stamped.pdf)

The economist: Why is the idea of import substitution being revived?, Nov 6<sup>th</sup>, 2020 This article appeared in the Finance & economics section of the print edition under the headline "Turning inward"

<https://www.economist.com/finance-and-economics/2020/11/06/why-is-the-idea-of-import-substitution-being-revived>

The Economist: Subsidies and protection for manufacturing will harm the world economy, Jul 13<sup>th</sup>, 2023

<https://www.economist.com/leaders/2023/07/13/subsidies-and-protection-for-manufacturing-will-harm-the-world-economy>

You may also wish to read Strategic Trade Theories, in Wikipedia

[https://en.wikipedia.org/wiki/Strategic\\_trade\\_theory](https://en.wikipedia.org/wiki/Strategic_trade_theory)

## Lecture 19 (March 7): NAFTA/USMCA

Sample Final Distributed

Problem Set 4 due

G. Hufbauer and J. Schott, *NAFTA: An Assessment*, Revised Edition, Institute for International Economics 1993.

<http://bookstore.petersoninstitute.org/book-store//70.html>

G. Hufbauer and J. Schott, *NAFTA Revisited: Achievements and Challenges*, Institute for International Economics 2005.

<http://bookstore.petersoninstitute.org/book-store/332.html>

[See also “NAFTA Revisited” by G.C. Hufbauer and J.J. Schott published in *Policy Options*

<http://www.iie.com/publications/papers/paper.cfm?ResearchID=898>

and “What Should the Next President Do on NAFTA?”

<http://www.iie.com/publications/papers/paper.cfm?ResearchID=898>. ]

P. Krugman, “The Uncomfortable Truth about NAFTA” *Foreign Affairs* 72 (1993), 13-19.

<http://www.foreignaffairs.org/19931201facomment5212/paul-krugman/the-uncomfortable-truth-about-nafta-it-s-foreign-policy-stupid.html>

The Economist: “Special report: ten years of NAFTA. Free Trade on Trial” January 3rd, 2004

CNN, December 17, 2019: “6 key differences between NAFTA and the USMCA deal that replaces it”  
<https://www.cnn.com/2019/12/10/politics/nafta-us-mexico-canada-trade-deal-differences/index.html>

and

CNN, July 1, 2020: “NAFTA is officially gone. Here’s what has and hasn’t changed”

<https://www.cnn.com/2020/07/01/politics/usmca-nafta-replacement-trump/index.html>