

ECON-101 INTERNATIONAL TRADE

Lecture: Monday and Wednesday 5:00 – 6:20pm.
Lecture Room: Solis 104.

Professor: Richard Chisik
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Office: Econ 211
Office Hours: Wednesday 1:00 – 3:00pm.

Teaching Assistants:

<u>TA</u>	<u>Office</u>	<u>Office Hours</u>
Kristy Buzard	Econ 123	Monday 3:00-5:00pm
Jess Diamond	Econ 117	Tuesday 2:00-4:00pm

Course Description: The purpose of this class is to prepare students to analyze policies and international agreements that relate to international trade and investment. In particular we will be considering the economic aspects (broadly defined) of these policies and agreements. To the extent that this is an economics class we will also learn to use economic theory in order to analyze these agreements. In the first several weeks of the semester we will analyze the static and dynamic costs and benefits of international trade and investment. With some understanding of how trade, investment and protectionism can help and hurt a country, we will turn to an analysis of commercial policy in the second part of the course. Our goal is not only to understand the legal institutions and regulations that govern international commerce but also to be able to analyze them with respect to their ability to generate particular economic, legal, political and social outcomes. Many of the lectures depart significantly from the text – come to class.

Requirements: (1.) The first midterm exam, given in class on October 24 will be worth 25% of the grade. (2.) The second midterm exam, given in class on November 21, will be worth 25% of the grade. (3.) A final exam given on Thursday, December 13, 2007 from 7:00pm – 9:59pm will be worth 50% of the grade.

Prerequisites: Required preparation for the course is ECON 1 and 2.

Readings: The required text for the course is *International Economics: Theory and Policy*, 7/e by Paul R. Krugman and Maurice Obstfeld. Addison Wesley, 2005. ISBN: 0-321-29383-5. If the seventh edition is not available, or if you wish to save money, you can buy the sixth edition. I will often augment the textbook with additional material. At times the lectures will depart significantly from the text – come to class.

Topics and Readings

1. International Trade Policy
 - a. The instruments of trade policy Chapter 8
 - b. The political economy of trade policy Chapter 9, Handout

2. The Ricardian Model and the Gains from Trade
 - a. Labor productivity, comparative advantage, and relative wages Chapter 3,
 - b. International trade equilibrium and the terms of trade Chapter 5 (pp. 85–95), Handout
 - c. The Ricardian model with many goods Handout

3. Technological Change and Natural Resources
 - a. External economies and learning by doing Chapter 6 (pp. 136-143)
 - b. Learning by doing in the Ricardian model with many goods Handout
 - c. Is industrial policy good policy? Chapters 10 and 11, Handout
 - d. The Dutch disease Handout

4. Multiple Factors, Income Distribution, and Factor Migration
 - a. From factor price insensitivity to comparative advantage Chapter 4, Handout
 - b. International trade and income distribution Chapter 4, Handout
 - c. Factor returns, factor migration, and factor returns Chapters 4 and 7 (pp. 147-154)

5. Industrial Organization and International Trade
 - a. Trade in horizontally differentiated goods Chapter 6 (pp. 111-136)
 - b. An (eclectic) explanation of the pattern of trade Chapter 6, Handout
 - c. Monopolistic competition and external economies Handout
 - d. Trade in vertically differentiated goods Handout

Course Policies:

Homework policies: Several problem sets will be assigned during the semester. Each student is responsible for learning how to solve the homework problems. Fully understanding how to solve the homework problems is crucial in preparing for the examinations.

Exam policies: The examinations will draw on material contained in the lectures, the assigned readings and the homework problems. You are responsible for reading the entire assigned chapter and any additional material that is handed out in lecture. Books, notes, problem sets, cell phones, beepers, laptop computers, calculators, MP3 players, or any other materials may not be consulted during examinations.

Any student caught cheating on an exam or engaging in any unethical behavior will receive a grade of F for the course and the dean will be notified and asked to pursue further action. I am very serious about this.

No makeup examinations will be given. Excuses for absences from exams are limited to verifiable illness and emergencies. In particular, I will require a university approved excuse. If the absence from a midterm exam is excused, the final exam will be weighted 75%. An unexcused absence from the exam will result in a score of zero.

Students arriving tardy to an exam will be allowed to take the exam in the time that remains provided that no student has turned in their exam. Any student that enters after an exam has been turned in will not be allowed to begin the exam and will receive a score of zero.

Any questions regarding the grading of an exam should be expressed in writing. The written inquiry should be turned in along with the exam in question. If a mistake was made in adding the score, then this procedure is simple and corrections will be made immediately. If you feel that the exam was not graded properly, then you may explain the problem in writing. In this case the *entire* exam will be re-graded. (Any exam that is not written in pen or that contains any white out or any other signs of erasure or change will not be re-graded.) The re-graded score will be your grade for the exam. You may not ask for another re-grade or go back to your first grade. No exam will be re-graded or re-evaluated without a written explanation.

Attendance and classroom policies: Students are required to attend every class. If a student is forced to miss a class, then they should obtain class notes and all handouts from a classmate, however, it is the responsibility of the absent student to insure that these notes are, in fact, correct. *A copy of the lecture notes and all of the accompanying handouts is not a substitute for class attendance.*

All beepers, portable phones, watch alarms, laptop computers, MP3 players, and the like must be turned off before entering the classroom. If you must use your phone or beeper on a particular evening, or if you suspect that during class you will feel the urge to talk to a classmate, you should stay home.