

EC 4100 International Economics

Kevin H. O'Rourke Arts 3033 Office hours: Tuesdays 9-11 am.

This course will consist of two parts. The first half of the course provides an introduction to international trade theory, which uses the standard tools of microeconomics to analyse economic interactions between countries. The subject asks questions such as: what determines the level and composition of trade between countries? What are the effects of trade on consumer welfare and income distribution? What are the effects of tariffs, quotas, and other trade policies? What are the causes and consequences of migration and foreign direct investment?

Rules of the game

Mobile phones should be switched off in class. The final grade will be based on two midterm tests (10% each), and a final examination (80%). My midterm will be problem-based and may also use multiple choice questions, and will have minimal or no choice. Students are responsible for everything we cover in class. My strategy for ensuring that you cover the entire course will be to set individual exam questions in the final exam which cover topics from more than one part of the syllabus.

Readings The textbook for the course will be Robert C. Feenstra and Alan M. Taylor, *International Economics*, Worth, 2008. Henceforth referred to as FT.

Tutorials

We will use tutorials to go through sample questions in FT.

Course outline

1. Introduction.

FT, Chapter 1.

2. Why countries trade: the principle of comparative advantage, and differences in technology.

FT, Chapter 2.

Krugman, P. 1997. Ricardo's difficult idea. <http://web.mit.edu/krugman/www/ricardo.htm>

Krugman, P. 1993. What do Undergrads Need to Know about Trade? *American Economic Review* 83: 23-26.

3. Trade and income distribution: specific factors model.

FT, Chapter 3.

Bernhofen, D.M. and J.C. Brown. 2004. A Direct Test of the Theory of Comparative Advantage: The Case of Japan. *Journal of Political Economy* 112:48-67.

Irwin, D.A. 2005. The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807-1809. *Review of International Economics* 13:631-645.

4. Why countries trade: differences in factor endowments.

FT, Chapter 4

Freeman, R.B. 1995. Are your Wages set in Beijing? *Journal of Economic Perspectives* 9(3):15-32.

O'Rourke, K.H. and R. Sinnott. 2001. What Determines Attitudes Towards Protection? Some Cross-Country Evidence. In *Brookings Trade Forum 2001*, ed. S.M. Collins and D.Rodrik. Washington DC: Brookings Institution Press.

- O'Rourke, K.H. and A.M. Taylor. 2007. Democracy and Protectionism. In *The New Comparative Economic History: Essays in Honor of Jeffrey G. Williamson*, ed. T.J. Hatton, K.H. O'Rourke and J.G. Williamson. Cambridge MA: MIT Press.
- Krugman, P. and R. Lawrence. 1994. Trade, Jobs and Wages. <http://www.nber.org/papers/w4478>
- Krugman, P. 2008. Trade and Wages, Reconsidered. *Brookings Papers on Economic Activity*, Spring: 103-154.

5. Labour flows

FT, Chapter 5.

- Borjas, G.J. 1994. The Economics of Immigration. *Journal of Economic Literature* 32: 1667-1717.
- Borjas, G.J. 2003. The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market. *Quarterly Journal of Economics* 118: 1335-1374.
- Chiswick, B.R. and T.J. Hatton. 2003. International Migration and the Integration of Labor Markets. In *Globalization in Historical Perspective*, ed. M.D. Bordo, A.M. Taylor and J.G. Williamson. Chicago: University of Chicago Press.
- Facchini, G. and Mayda, A. M. 2006. Individual Attitudes Towards Immigrants: Welfare-State Determinants Across Countries. Mimeo.

6. Why economies trade: economies of scale and imperfect competition.

FT, Chapter 6.

- Feenstra, R. 2008. Paul R. Krugman, Recipient of the 2008 Nobel Prize in Economics, forthcoming in *Challenge: The Magazine of Economic Affairs*. Available at <http://www.econ.ucdavis.edu/faculty/fzfeens/papers.html>
- Helpman, E. 1999. The Structure of Foreign Trade. *Journal of Economic Perspectives* 13(2): 121-144.

7. Why economies trade: outsourcing and FDI

FT, Chapter 7.

- Feenstra, R.C. 1998. Integration of Trade and Disintegration of Production in the Global Economy. *Journal of Economic Perspectives* 12: 31-50.
- Baldwin, Richard. 2006. "Globalisation: the great unbundling(s)". Available at http://www.graduateinstitute.ch/ctei/home/ctei_people/baldwin/publications_globalisation.html
- Markusen, J.R. 1995. The Boundaries of Multinational Enterprises and the Theory of International Trade. *Journal of Economic Perspectives* 9(2): 169-189.

8. Introduction to trade policy: protection under perfect competition.

FT, Chapter 8.

- Bhagwati, J. Free Trade: Old and New Challenges. *Economic Journal* 104: 231-246.
- Feenstra, R.C. 1992. How Costly is Protectionism? *Journal of Economic Perspectives* 6(3): 159-178.

9. Protection under imperfect competition.

FT, Chapter 9.

- Baldwin, R.E. 1969. The Case Against Infant-Industry Tariff Protection. *Journal of Political Economy* 77: 295-305.
- Cox, D. and R. Harris. Trade Liberalization and Industrial Organization: Some Estimates for Canada. *The Journal of Political Economy* 93: 115-145
- Krugman, P.R. 1987. Is Free Trade Passé? *Journal of Economic Perspectives* 1(2): 131-144.

10. Export subsidies.

FT, Chapter 10.

Brander, J.A. 1995. Strategic Trade Policy. <http://www.nber.org/papers/w5020>

Irwin, D.A. 1991. Mercantilism as Strategic Trade Policy: the Anglo-Dutch Rivalry For the East India Trade. *Journal of Political Economy* 99: 1296-1314.

11. International trade agreements.

FT, Chapter 11.

Baldwin, R.E. The Political Economy of Trade Policy. *Journal of Economic Perspectives* 3(4): 119-135.

Baldwin, R.E. 2006. Multilateralising Regionalism: Spaghetti Bowls as Building Blocks on the Path to Global Free Trade. *World Economy* 29: 1451-1518.

Irwin, D.A. 1993. Multilateral and Bilateral Trade Policies in the World Trading System: An Historical Perspective. In *New Dimensions in Regional Integration*, ed. J. de Melo and A. Panagariya. Cambridge: Cambridge University Press.

Irwin, D.A. 1995. The GATT's Contribution to Economic Recovery in Post-war Western Europe. In *Europe's Post-war Recovery*, ed. B. Eichengreen. Cambridge: Cambridge University Press.