

**BOSTON COLLEGE**  
**Department of Economics**  
**EC371 International Trade**  
**Syllabus**

Spring 2016 TTh 10:30

O'Neill 253

**Instructor**

Professor James E. Anderson

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Office Hours: M 1:30-2:30, T 4:30-5:30 or by appointment

TA: Miguel Matamoros

Office Hours:

**Objectives of the course:** (1) Learn about the causes and effects of international trade and trade policy. (2) Improve quantitative analytic skills to interpret economists' answers to 'how big' and 'what if' questions, and to apply these skills yourself to understanding the world economy.

Memorizing is not a successful strategy in this course; practicing analysis is. Practicing is done with exercises: besides those assigned it is best to do all of them. The textbook website has further support materials including exercises. Practice also by critically reading the textbook and following lectures. **Past experience indicates it is very useful to read the text before the lecture.**

Practice thinking like an economist as you read or listen to popular descriptions of economic affairs; you will enjoy understanding more about the world and become more adept at taking exams in economics. Also, you may impress your friends (though this can easily backfire) and eventually prospective employers or clients.

Ec 371 Course Requirements:

The midterm exam is March 15 (40%). The final exam (40%) will be at the scheduled time. Exams missed without prior consent of instructor (given only in extraordinary circumstances) will be graded "F." I never give makeup exams.

Weekly problem sets determine the remaining 20% of the grade. Collaboration on problem sets is encouraged. Answer sheets will be provided on LMS 24 hours prior to the deadline. Grade yourself based on your understanding after checking the answers. If your self evaluation significantly exceeds your exam performance, your problem set grade will be discounted.

Class participation counts in determining whether you get the benefit of the doubt.

The reading list is limited. I may occasionally supplement the reading list with current material from the flood of media generated articles on international issues, particularly from the Economist. Students should do likewise independently.

Academic integrity is central to the mission of higher education. Please observe the highest standards of academic integrity in this course. Please review the standards and procedures that are published in the university catalog and on the web, at: (<http://www.bc.edu/offices/stserv/academic/resources/policy/#integrity>). Make sure that the work you submit is in accordance with university policies. If you have any questions, please consult with me. Violations will be reported to the Deans' Office and reviewed by the College's Committee on Academic Integrity. This could result in failure in the course or even more severe sanctions.

### Course Materials

TEXTBOOK: Robert C. Feenstra and Alan Taylor, International Trade 3<sup>rd</sup> Ed., Macmillan, 2015. The 2<sup>nd</sup> Edition (Worth Publishers) is also acceptable.

Supplemental notes are distributed on LMS, as are lecture slides following the lectures.

\* denotes optional reading

### OTHER Sources

1. D. Irwin, Free Trade Under Fire, Princeton U. Press, 2002. Useful summary of current research by economists on issues raised by anti-globalists.
2. P. Rivoli, The Travels of a T-shirt in the Global Economy, Wiley, 2004. A fascinating journalistic case study of the chain of persons connected by the T-shirt trade.
3. M. Levinson, The Box, Princeton University Press, 2006. Terrific study of the development of containerization.
4. P. Seabright, The Company of Strangers, Princeton University Press, 2004. Big picture social science on the evolution of institutions of modern trade.
5. American Trade Politics, 4th Ed., I.M. Destler, Institute for International Economics, 2005. A very interesting survey of the politics of international trade policy.
6. A. Dixit and S. Skeath, Games of Strategy, 2<sup>nd</sup> Ed. Norton 2004.
7. K. Bagwell and R. Staiger, The Economics of the World Trading System, MIT Press, 2002.
8. J. Anderson “International Trade Theory” in New Palgrave Dictionary of Economics (available online at BC). Concise presentation of core international trade theory at advanced undergraduate level.

### Web Sites

Feenstra-Taylor 2<sup>nd</sup> edition text site:

[http://bcs.worthpublishers.com/feenstrataylor2\\_intltrade/default.asp#t\\_640569](http://bcs.worthpublishers.com/feenstrataylor2_intltrade/default.asp#t_640569)

This site has many suggestions for applications of the analyses and links to other sites with opinion and data.

WTO: [www.wto.org](http://www.wto.org) vast amount of information about the WTO and its dispute settlement processes. (How secretive is this organization?)

Trade negotiations web page:

<http://www.cid.harvard.edu/cidtrade> lots of news and opinion on a wide range of trade negotiation issues.

USTR reports: <http://www.ustr.gov/reports/index.html>. USTR is the negotiation arm of US trade policy making; these are its briefs for disputes.

Trans-Pacific Partnership negotiated treaty (TPP): <https://ustr.gov/trade-agreements/free-trade-agreements/trans-pacific-partnership/tpp-full-text>

The Economist: [www.economist.com](http://www.economist.com). Lots of their excellent current stories and opinion are free.

World Bank's World Development Report: <http://wdronline.worldbank.org/>

Deardorff's Glossary of International Economics terms: <http://www-personal.umich.edu/~alandear/glossary/>

## Course Outline

### Background and Outline

FT ch. 1, Irwin ch. 1

#### I. Trade Patterns, Size and Trade Costs

Notes ([www2.bc.edu/~anderson/GravityNotes.pdf](http://www2.bc.edu/~anderson/GravityNotes.pdf))

Extra: J. Anderson and E. van Wincoop, "Trade Costs", *Journal of Economic Literature*, 2004.

Exercises: On LMS

#### II. Determinants of Trade and Factor Returns

##### 1. Technology and Trade: Ricardian Model

FT, ch. 2

Exercises: FT text Ch. 2 exercises 1-8

##### 2. Gainers and Losers from Trade: The Specific Factors Model

FT, ch. 3

Exercises: FT text Ch. 3 exercises 1-10

##### 3. Factor Endowment Proportions and Trade: the Heckscher-Ohlin Model

FT, ch. 4

Exercises: FT text Ch. 4 exercises 1-6

##### 4. Factor Movements

FT, ch. 5

Exercises: FT text Ch. 5 exercises 1-8

##### 5. Economies of Scale and Monopolistic Competition

FT, ch. 6

Notes

Exercises: FT text Ch. 6 exercises 1-4,8,9

##### 6. Offshoring

FT, ch. 7

Exercises: FT text Ch. 7 exercises 1-3, 6-8

#### III. International Policy

##### 1. Trade Policies with Perfect Competition

FT, ch. 8

Exercises: FT text Ch. 8 exercises 1-11

##### 2. Trade Policies with Imperfect Competition

FT, ch. 9, sections on dumping (9.4) and infant industry protection (9.5) only

##### 3. Export Subsidies: Agriculture and High Tech

FT, ch. 10

Exercises: FT text Ch. 10 exercises 1-6,8,9

##### 4. Political Economy of Trade Policy, may skip or abridge this.

ch. 19 of Markusen, Melvin, Kaempfer and Maskus text

Anderson notes and slides

5. International Agreements

FT, ch. 11

Notes ([www2.bc.edu/~anderson/Institutions.pdf](http://www2.bc.edu/~anderson/Institutions.pdf))

Exercises: FT text Ch. 11 exercises 1,2, 4-8.

6. Exchange Rates as Trade Policy

Anderson slides and notes