International Trade
Econ 455 – Fall 2014

This 3 credit course provides a rigorous treatment of topics in international trade theory and policy. The study of international economics is divided into two parts – Econ 455 focuses on microeconomic issues, including the causes and consequences of international trade and the role for government policy. A second course, Econ 457, focuses on macroeconomic issues, including theories of the determinants of exchange rates between currencies and the study of macroeconomic issues in open economies.

As a 400 level class, the course emphasizes the study and use of economic models; nevertheless, we will also discuss, as feasible, contemporary issues that relate to international trade and factor movements.

INSTRUCTOR
Harvey Lapan (my home page: http://www.econ.iastate.edu/faculty/lapan/)
(course home page: http://www.econ.iastate.edu/classes/econ455/Lapan/)

283 Heady Hall
294-5917

Class Hours: Tuesday and Thursday 2:10-3:25, Lagomarcino Hall W0272

Office Hours: Monday & Wednesday 1:30 pm-3:00 pm and by appointment. My other classes meet: Monday & Wednesday, 9:00-11:00 am, Friday 3:10 pm-5:00pm; and TTh 2:10-3:25. Feel free to come by my office at other times (except the hour before I teach) and I will be happy talk to you if I am in.

TEACHING ASSISTANT
Chao Li 80B Heady Hall chaoli@iastate.edu
Office Hours: Tuesday and Thursday 4:00-5:00pm

(Chao will grade the problem sets. Please come see me if you have questions about the course material or the problem sets).

PREREQUISITES
Econ 301 is required.

COURSE MATERIALS

TEXT
Robert C. Feenstra and Alan M. Taylor, International Trade, 2nd edition, Worth Publishers, 2011. (This book will be available at the ISU bookstore. You can also find used copies online). The online site for the text, which has review material, is: Feenstra-Taylor 2nd edition

OTHER READING MATERIAL

There are additional readings for some sections of the reading list; these readings should be available online, where links are provided. The readings in the Journal of Economic Perspectives are available through the library’s e-reserve. Just go to http://www.lib.iastate.edu.proxy.lib.iastate.edu/courselist-standard/26451. The textbook is on reserve in the main library reserve area. Also, the Economist magazine (http://www.economist.com), the New York Times (http://www.nytimes.com), and the Wall Street Journal (www.wsj.com - subscription needed) always have some stories on current issues in international economics.
COURSE GRADING

Grades will be assigned on a plus-minus basis. Grades will be based on exams, problem sets, and class participation.

- **Exams** will count for a total of 70% of your grade. There will be two midterm exams and a final exam; I will base your grade on the best two of the three exams, so each exam is worth 35%. No make-up exams will be offered except in extraordinary circumstances. Even if you do not take the final you are expected to attend classes. Exam dates will be announced in class, with at least two weeks warning. The final exam date is set by the University for Tues., Dec. 15, Noon-2 pm.

- **Problem sets** are worth 25% of your grade; they must be handed in on time to count. *You may work together on the problem sets, but you must write up your own answers in your own words.*

- Class participation counts for 5% of the grade.

DISABILITY STATEMENT

If you have a documented disability and anticipate needing accommodations in this course, please make arrangements to meet with me soon. Please request that a Student Disability Resources staff send a SAAR form verifying your disability and specifying the accommodation you will need.

ACADEMIC INTEGRITY STATEMENT

“Academic integrity is essential to maintaining an environment that fosters excellence in teaching, research, and other educational and scholarly activities. Thus, Iowa State University, the Dean of Students Office and the Office of Judicial Affairs expect that all students have read and understand the University’s Student Disciplinary Regulations (SDR), and that all students will complete all academic and scholarly assignments with fairness and honesty. Students must recognize that failure to follow the rules and guidelines established in the SDR and this syllabus may constitute “Academic Misconduct.”
Readings and Outline

Introduction to International Trade
- Text, Ch. 1

I. International Trade Theory

A. Ricardian Theory of Comparative Advantage
- Text, Ch. 2

B. Trade and the Specific-Factors Model
- Text, Ch. 3

C. Resources and Trade: The Heckscher-Ohlin Model
- Text, Ch. 4
- Symposia: Income Inequality and Trade *Journal of Economic Perspectives*, Summer 1995. (the material below is somewhat more difficult than the online paper above):

D. International Factor Movements
- Text, Ch. 5
- Rimmer, Maureen T. and Peter B. Dixon., “Restriction or Legalization? Measuring the Economic Benefits of Immigration Reform,” CATO Institute, August 13, 2009(online)

Other Articles:
- Griswold, Daniel T., “Lift the Congressional Quota on High-Skilled Workers,” *Journal of Commerce*, March 27, 1998 (online)

The following are more comprehensive, and more difficult, papers:
II. New Explanations for International Trade (as time permits)

A. Increasing Returns to Scale and Imperfect Competition
   • Text, Ch. 6

B. Outsourcing
   • Text, Ch. 7.

III. International Trade Policy

A. Tariffs and Quotas under Perfect Competition
   • Text, Ch. 8
   • Verrill, Charles Owen, Jr., "An Introduction To Trade Remedies Available Under U.S. Law," Wiley-Rein LLP, April 1, 1999 online

B. Tariffs and Quotas under Imperfect Competition
   • Text, Ch. 9.

C. Export Subsidies (as time permits)
   • Text, Ch. 10

D. International Agreements: Trade, Labor and the Environment
   • Text., Ch. 11.
   • Lustig, Nora: “NAFTA, Setting the Record Straight”, *Brookings Institution*, June 1997 (online)
   • Robert E. Scott, “The high price of 'free' trade: NAFTA's failure has cost the United States jobs across the nation”, Economic Policy Institute, Briefing Paper #147, Nov. 2003 (online)

IV. Discussion of U.S. International Trade Deficit (if time permits)
Online Web Sites of Interest:

There are countless web sites that deal with policy issues in international economics. These sites also include links to other sites. You will find data sources, papers on current public policy issues, and lots of other current material on these sites. This is far from an exhaustive list!

- Feenstra-Taylor online site – 2nd edition

Web sites for the International Organizations:

- International Monetary Fund
- World Bank International Trade Group
- Organization for Economic Co-operation and Development (OECD)
- World Trade Organization

Web Sites for selected U.S. Government Agencies:

- Council of Economic Advisers
- The White House
- United States Trade Representative
- U. S. Department of Commerce
- Bureau of Economic Analysis
- New York Federal Reserve Bank (click here) with link to all other Federal Reserve Banks
- U.S. International Trade Commission
- CIA World Factbook

Web Sites for Domestic Think Thanks concerned with International Economic Issues:

- CATO Center for Trade Policy Studies
- Brookings Institute
- Peterson Institute for International Economics
- Economic Strategy Institute
- Global Trade Negotiation site

Additional Web Sites that have lots of information and links to other sites:

- The Dismal Scientist
- Web Ec International Economics