ECONOMICS 352
INTERNATIONAL TRADE
SYLLABUS

Lectures: Tuesdays and Thursdays, 10 a.m. – 10:50 a.m., Friend Center 006

Precepts: Tuesday, 11 a.m. – 11:50 a.m., B-02 Fisher Hall
Tuesday, 12:30 p.m. – 1:20 p.m., B-02 Fisher Hall
Tuesday, 1:30 p.m. – 2:20 p.m., B-02 Fisher Hall
Tuesday, 3:30 p.m. – 4:20 p.m., B-02 Fisher Hall

Professor: Silvia Weyerbrock, office: 322 Bendheim Hall, extension: 258-0178
Email: sweyerbr@princeton.edu (please use E-mail whenever possible)
Office hours: Please sign up on WASS https://wass.princeton.edu/pages/login.page.php
Tuesdays, 2:30 – 4 p.m. (but Wednesdays, 1-2:30, on 2/15, 2/29 and 3/28)
Fridays, 2-3 p.m.

Preceptors: Karyne Charbonneau
Email: kcharbon@princeton.edu
Office hours: Tuesdays, 4-5:30 p.m. (by drop-in), B-10 Fisher Hall

Eliav Danziger
E-mail: edanzige@princeton.edu
Office hours: Tuesdays, 5-6:30 p.m., office hour location: B-10 Fisher Hall

Course Description:

This course concerns the microeconomics and political economy of international trade and foreign direct investment. The first part of the course focuses on trade theory. We explore why countries trade, what they trade, and who gains and who loses from trade. Topics include trade and growth, trade and wages, but also labor migration as well as FDI, offshoring and outsourcing. The second part of the course focuses on trade policy. We study the motives, both economic and political, for countries or organizations to restrict or regulate international trade and study the effects of such policies on economic welfare. The third part of the course will address policy issues such as multilateral trade negotiations, regional economic integration, trade policies in developing countries, and selected other aspects of the current globalization debate.

Course Prerequisites:

MAT 103 and ECO 300 (or ECO 310). Although the course will emphasize the understanding of past and current events in the world economy, we will rely on formal economic modeling to help us understand these events. We will use microeconomic tools that you have learned in ECO 300 or ECO 310. It is important that you are familiar with these tools and know how to use them.
**Readings:**

**Required for purchase:**


**Recommended for purchase:**


**Required readings:**

The tentative course schedule includes specific information on required readings. Chapters from Krugman/Obstfeld/Melitz and Irwin and articles from the Economist are always required. I will indicate in class whether a journal article is required or recommended. All journal articles will be on electronic reserve.

Students should also keep up with international economic news. Excellent sources are the Economist and newspapers such as the Financial Times, the Wall Street Journal, or the New York Times.

**Recommended readings:**

In addition to recommended journal articles, students may find it useful to consult other books to reinforce the material or to get a different perspective on trade theory and policy. These books will be on reserve at Firestone library.


Problem sets and exams will be based on “required” material, whether or not this material gets covered in lectures or precepts. “Recommended” readings help you to get a more comprehensive understanding of trade.

**Information on the web:**

The Blackboard site for this course will include the syllabus, a course calendar, problem sets and answer keys, and links to electronic reserves and some interesting sites on the web. Slides will be posted after the lectures.
Course Requirements:

The grade for this course will be based on problem sets, a midterm, and a final.

There will be five problem sets (see the schedule below). Each problem set will be posted on the course web page one week before its due date. Each problem set will be due in class on the day specified by 10:50 a.m. We are also not responsible for problem sets put in our mailboxes or given to any secretaries. Please note that we will not accept late problem sets; instead we will use the points from your best four problem sets to calculate your course grade. Therefore, you may miss one problem set without any penalty; this is intended to cover all reasons including sickness and other work.

Group work on problem sets is permitted and even encouraged. All I ask is that your individual problem set submission reflects your genuine understanding and not merely what a fellow student told you. You may also use office hours for the preceptor or me for your difficulties concerning problem sets. Please come prepared.

Graded problem sets will be put into the ECO 352 drawer in the basement of Fisher Hall. An answer key will be posted on Blackboard under assignments.

The midterm will be a 50-minute in-class exam on Thursday, March 15, 2012. The final will be a three-hour exam during the exam period. Both exams are closed-book and under the University’s Honor Code. I will hand out study guides for both exams. Practice problems for the midterms will be discussed in the precepts during the 6th week of classes. There will be an optional review for the final exam during the reading period in May.

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Date posted</th>
<th>Date due</th>
<th>Percent in final grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem set #1</td>
<td>Thursday, February 9</td>
<td>Thursday, February 16</td>
<td>*</td>
</tr>
<tr>
<td>Problem set #2</td>
<td>Thursday, February 23</td>
<td>Thursday, March 1</td>
<td>*</td>
</tr>
<tr>
<td>Midterm</td>
<td></td>
<td>Thursday, March 15</td>
<td>25</td>
</tr>
<tr>
<td>Problem set #3</td>
<td>Thursday, March 29</td>
<td>Thursday, April 5</td>
<td>*</td>
</tr>
<tr>
<td>Problem set #4</td>
<td>Thursday, April 12</td>
<td>Tuesday, April 19</td>
<td>*</td>
</tr>
<tr>
<td>Problem set #5</td>
<td>Thursday, April 26</td>
<td>Thursday, May 3</td>
<td>*</td>
</tr>
<tr>
<td>Final</td>
<td></td>
<td>TBA</td>
<td>45</td>
</tr>
</tbody>
</table>

*30% weight for problem sets; best four problem sets used for calculation of overall course grade.

The above table shows how final grades will be calculated. There will be no extra-credit assignments. Any re-grading requests for problem sets and exams must be made within two weeks from the date the graded answers are made available. Please contact the preceptor first. If you cannot resolve the grading issue with the preceptor please send me an email detailing how your work has been mis-graded. I will then (irreversibly) re-grade the entire assignment in question.

Lectures and Precepts:

The precepts will be complementary to the lectures. For roughly the first half of the term, the precepts will be more technical, giving details of the ideas that are developed in the lectures in a more elementary or intuitive level. During the second half, precepts will focus on specific issues related to trade policy or trade relations. Precepts will also be used to discuss problem set solutions and to prepare for exams. Lectures and precepts are NOT substitutes for required readings. Often the two are complements. There will be no precepts during the first week of classes.
Course Topics and Readings

1. Introduction
   KOM, chapters 1 and 2
   Irwin, chapter 1

2. Labor Productivity and Comparative Advantage: The Ricardian Model
   KOM, chapter 3, chapter 12: 280-282
   Irwin, chapter 2

3. Specific Factors and Income Distribution: The Ricardo-Viner Model
   KOM, chapter 4: 50-68

4. Resources and Trade: The Heckscher-Ohlin Model (Including Trade and Wages)
   KOM, chapter 5
   Irwin, chapter 4 (on E-reserve)

   KOM, chapter 6

6. Economies of Scale and International Trade
   External Economies of Scale and the International Location of Production
   Internal Economies of Scale and Trade (Monopolistic Competition and Oligopoly)
   Dumping, Reciprocal Dumping and Antidumping
   KOM, chapters 7 and 8 (on E-reserve, different from older editions of textbook)
   Irwin, chapter 5

7. Labor Migration, Foreign Direct Investment and Outsourcing

KOM, chapter 4: 69-73
Economist, “Economic focus: drain or gain?” May 28th, 2011.

8. Foreign Direct Investment and Outsourcing

KOM, chapter 8: 180-187

9. Instruments of Trade Policy

Tariffs and Import Quotas
Export Subsidies and Voluntary Export Restraint Agreements
Regulations and Standards (Technical Barriers to Trade, Labor Standards)

KOM, chapter 9, chapter 12: 282-285

10. Political Economy of Trade Policy

Trade Policy to Counter Domestic Distortions
Strategic Trade Policy

KOM, chapter 10: 219-234, chapter 12: 272-279
Irwin, chapter 3
11. Multilateral Trade Negotiations and the WTO

KOM, chapter 10: 234-245; KOM, chapter 12: 284
Irwin, chapter 7: 203-231
Economist “Economic focus: is there any point to the WTO?” August 6th, 2005.

12. Regional Economic Integration

KOM, chapter 10: 246-249
Irwin, chapter 7: 249-253

13. Trade and Development (depending on student interest)

KOM, chapter 11
Irwin, chapter 6

14. Trade and Environment (depending on student interest)

KOM, chapter 12: 286-290
Irwin, chapter 2: 52-59, chapter 7: 231-244