Recent growth in economic integration has brought international trade issues to the forefront of both economics and society. This course will analyze the causes and consequences of international trade. The theory of international trade and the effects of trade policy tools will be developed in both perfect and imperfect competition, with reference to the empirical evidence. This will allow us to address many essential questions.

- Why do countries trade?
- Are countries better off because they trade? Are both trading partners better off?
- Who gains and who loses within a country?
- In what ways do countries intervene in trade? What are the effects of these actions?
- What if markets don't work perfectly? How does that affect our assessments?

This framework will serve as a context for a discussion of several important contemporary issues, including the following questions.

- What is the impact of trade on income inequality?
- What is the relationship between trade and the environment?
- Is there a role for strategic trade policy?
- How does trade affect the economies of developing countries?
- What are the effects of free trade agreements such as NAFTA?

**Readings** The text is Krugman and Obstfeld, 9th edition. You should purchase this at the bookstore. Substantial material will come from other sources, on e-reserve.

**Office Hours:** I will hold regular office hours on Tuesdays from 9-10 am, and on Wednesdays from 10am-noon. You can also reach me by email to schedule other times.

**Requirements:** Evaluation will be based on the following as well as class participation. Please mark your calendar with the following dates.

| Problem Sets Due | February 12, February 26, April 9 |
| Exam:            | March 5                                |
| Conferences:     | March 12, April 2, and April 28 (one as presenter, two as participant) |
| Final Exam:      | Wednesday, May 13, 6-9pm               |

In fairness to other students, late assignments will be penalized at a rate of 10% per class day. Exceptions may be made in the event of unforeseen circumstances; these should be discussed with me at the earliest possible time.
Course Outline and Readings

Readings are marked with an * are optional.

The Patterns of Trade and Globalization (January 27 and 29)

Krugman and Obstfeld, c.1-2


The Gains from Trade and Ricardian Models of Trade  (February 3 and 5)

Krugman and Obstfeld, c.3


Specific Factors Model and Distribution  (February 10 and 12)

Krugman and Obstfeld, c.4


The Heckscher-Ohlin Model and Distribution  (February 17, 19, and 24)

Krugman and Obstfeld, c.5


**Trade and Income Distribution** (February 26)

Krugman and Obstfeld, c.12, p279-286.


**Instruments of Trade Policy** (March 3)

Krugman and Obstfeld, c.9

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**Midterm Exam: March 5**

**Instruments of Trade Policy, Continued** (March 10)

Krugman and Obstfeld, c.10, p219-234.


Conference 1: Developing Countries and Trade Policy (March 12)

Krugman and Obstfeld, c.11


Increasing Returns and Imperfect Competition (March 17 and 19)

Krugman and Obstfeld, c.7 and c.8, p155-180.


Spring Break: March 24 and 26

Factor Mobility

Immigration (March 31)


Conference 2: U.S. Immigration Policy (April 2)


Capital Mobility, Competitiveness, and the Trade Imbalances (April 7)

Krugman and Obstfeld, c.6, p127-136.


Applications of Imperfect Competition

Multinational Corporations and Offshoring (April 9 and 14)

Krugman and Obstfeld, c.8, p 180-187.


**Trade Policy Under Imperfect Competition** (April 16 and 21)

Krugman and Obstfeld, c.12, p 271-279.


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**Conference 3: Trade and the Environment** (April 28)

Krugman and Obstfeld, c.12, p286-290.

http://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf


**International Trade Agreements** (April 30)

Krugman and Obstfeld, c.10, p234-249.
