

ECO 395L COURSE SYLLABUS

INTERNATIONAL TRADE (35530 35535, 35540)

Instructor

Prof. Salah M. Mostashari

Office: BRB 2.130

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Lecture: TTH 2:00 – 3:30, BRB 2.136 (Face-to-face)

Course objectives

This course should enhance the student's ability to make informed decisions involving international economic issues. Lectures will emphasize the main theoretical models in international trade with frequent applications to the current international economic environment.

We will first look at the main theories that explain international trade in goods and services as well as the movement of factors of production (labor and capital) across borders. We then look at the various instruments governments have available to limit movements of goods and services across borders and analyze the objectives and consequences of using these policies. We also study the roles of trade blocs such as the European Union and international organizations such as the World Trade Organization.

Key issues in the course will be:

- The Gains from Trade
- Explanations of the Pattern of Trade and Factor Movement
- Trade Policy and Protectionism
- Globalization: Winners and Losers

Prerequisites:

Graduate standing is required for this course. Knowledge of multivariable calculus is assumed.

Required Textbook

The required textbook for the course is International Trade, 4th edition, by Robert C. Feenstra and Alan M. Taylor. This is an excellent undergraduate textbook which we will supplement with notes and other readings. This will be your only required purchase. Any other assigned reading, which may include scholarly articles or current news publications, will be provided on Canvas.

Other Recommended Textbooks

- International Trade: Theory and Policy, 10th edition, Paul R. Krugman, Maurice Obstfeld, and Marc Melitz (KOM). Pearson Publishers. This is another popular undergraduate textbook.
- Advanced International Trade: Theory and Evidence, 2nd edition, Robert Feenstra, Princeton University Press. This is an excellent graduate level course with both an advanced approach to the theory and empirical exercises.

Grading

Your overall course score will be a weighted average of the percentage scores you receive on each of the graded components of work, with the following weights:

- Midterm (Tuesday October 19) 25%

- Final Exam (tentatively scheduled for Thursday, December 9, 9am-noon) 35%
- Problem Sets 40%

Course website, lecture slides and other posted material

The official website of the course will be on Canvas. Please refer to that website for up-to-date announcements, posted documents, and the updated course schedule: <http://canvas.utexas.edu/>.

Lectures will consist of both power point presentations and a number of in class exercises to practice the theory. Lecture slides for each topic will be posted on Canvas before we start the topic. Lecture slides include power point outlines of concepts, graphical analysis, equations, and graphs of data. You are strongly encouraged to print slides out and to take additional notes as needed during the lectures.

Recorded Lectures

This class is designated as in person. All exams will be conducted in person and it is my expectation that students will attend lectures; however, due to the uncertain public health situation and other extenuating circumstances that may arise, I will also have live recorded lectures via Zoom. A link to the live lecture is available at the top of the course homepage on Canvas and will launch at the scheduled course time. Recordings may be accessed at any time by clicking on the Zoom navigation tab and then selecting Cloud Recordings.

Other important policies:

Students with disabilities: Any student with a disability who requires academic accommodations should contact Services for Students with Disabilities in the Office of the Dean of Students at 471-6259 (voice) or 471-4641 (TTY for users who are hearing-impaired) to request an official letter for your professor that lists your authorized accommodations. UT policy requires students requesting accommodations to notify their professors in advance, and we will adhere to the policies of SSD concerning advance notification.

Sharing of Course Materials is Prohibited: No materials used in this class, including, but not limited to, lecture hand-outs, videos, assessments (quizzes, exams, papers, projects, homework assignments), in-class materials, review sheets, and additional problem sets, may be shared online or with anyone outside of the class unless you have my explicit, written permission. Unauthorized sharing of materials promotes cheating. It is a violation of the University's Student Honor Code and an act of academic dishonesty. I am well aware of the sites used for sharing materials, and any materials found online that are associated with you, or any suspected unauthorized sharing of materials, will be reported to Student Conduct and Academic Integrity in the Office of the Dean of Students. These reports can result in sanctions, including failure in the course.

Class Recordings: Class recordings are reserved only for students in this class for educational purposes and are protected under FERPA. The recordings should not be shared outside the class in any form. Violation of this restriction by a student could lead to Student Misconduct proceedings.

Schedule of Topics

1. Trade in the Global Economy (F&T Chapter 1)

Basics of trade models and measurement of trade. Historical trends in international trade, reasons for trade, and barriers to trade. Trends in labor migration and foreign direct investment.

2. Ricardian Model of Trade (F&T Chapter 2)

Comparative advantage, absolute advantage, gains from trade. PPFs and Indifference Curves. Autarky (no trade) equilibrium. International trade equilibrium. Gains from trade seen with real wages, indifference curves, terms of trade. Home export supply curve, foreign import demand curve, and international trade equilibrium prices. Multi-good Ricardian model with trade costs.

3. The Specific Factors Model (F&T Chapter 3)

Technology assumptions of the Specific Factor Model, gains from trade and distributions of gains from trade.

4. Trade and Resources: The Heckscher-Ohlin Model (F&T Chapter 4)

Factor intensity, factor abundance and the Heckscher-Ohlin (HO) Theorem. Gains from trade, distribution of the gains from trade, and the Stolper-Samuelson Theorem. Factor Price Equalization. Testing the HO Model and the Leontief Paradox. Attitudes towards trade. Skilled biased technological change. Extensions.

5. Factor Migration (F&T Chapter 5)

Effects of immigration and FDI in the short and long run on real factor prices. Gains from factor migration. Firm decisions regarding FDI.

6. Increasing Returns to Scale (F&T Chapter 6, KOM Chapter 8)

Monopoly, monopolistic competition, increasing returns to scale, and love of variety review. The increasing returns to scale equilibrium in autarky and trade. Gains from trade in the monopolistic competition model. Intra-industry trade, and firm heterogeneity.

7. Import Tariffs and Quotas under Perfect Competition (F&T, Ch. 8)

World Trade Organization (WTO) and General Agreement of Trade and Tariffs (GATT) provisions and history. Consumer, producer surplus and welfare. Effect of import tariffs on small and large countries. Effects of import quotas on a small country.

8. Import Tariffs and Quotas under Imperfect Competition (F&T, Ch. 9)

Tariffs and quotas under home monopoly and under foreign monopoly. Dumping and policy responses to dumping. Infant industry protection.

9. International Agreements: Multilateral versus Regional Trade Agreements, International Agreements on Labor and the Environment (F&T, Ch 11)

Multilateral trade agreements, regional trade agreements, trade creation and trade diversion. Trade and labor right. Trade and the environment: pollution haven hypothesis and evidence of impact of environmental regulation on firm location.