International Trade  
Econ 455 – Fall 2009

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/](http://www.econ.iastate.edu/faculty/lapan/))

(course home page: [http://www.econ.iastate.edu/classes/econ455/Lapan/](http://www.econ.iastate.edu/classes/econ455/Lapan/))

283 Heady Hall
294-5917

**Class Hours:** Tuesday and Thursday 2:10-3:25,  6 Hamilton Hall

**Office Hours:** Tuesday and Thursday 11:00 am-12:00 noon, Wednesday 10:00 am-12:00 noon, and by appointment. Feel free to come by my office at other times and I will talk to you if I am in.

**TEACHING ASSISTANT**

Zheng Xu  B11 Curtiss Hall  294-4827  xuzheng@iastate.edu

Office Hours:  T 9:00-11:00

(Zheng 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; a student may **not** receive credit for both Econ 355 and Econ 455.

**COURSE MATERIALS**

**TEXT**

(This book will be available at the ISU bookstore. You can also find used copies online for $50 to $60.  
The online site for the text, which has review material, is:  
[http://bcs.worthpublishers.com/feenstrataylor_intlecon/default.asp?r=0&n=3&i=110&v=&o=&ns=0&uid=0&rau=0](http://bcs.worthpublishers.com/feenstrataylor_intlecon/default.asp?r=0&n=3&i=110&v=&o=&ns=0&uid=0&rau=0)

**OTHER READING MATERIAL**

There are additional readings for some sections; 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/courses-browse_name/1013/2016](http://www.lib.iastate.edu/courses-browse_name/1013/2016), and find Econ 455. The textbook is on reserve in the main library reserve area. Also, the Economist magazine ([http://www.economist.com/](http://www.economist.com/)), the New York Times ([http://www.nytimes.com/](http://www.nytimes.com/)), and the Wall Street Journal ([www.wsj.com](http://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, a course paper, and class participation.

- **Exams** will count for a total of 50% 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 25%. 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.

- **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.*

- **Paper:** there is a required course paper that is worth 20% of your grade. You are expected to do independent research for the paper, and to discuss the paper topic with me. There is no specific length for the paper, but I would expect you will need at least 10 pages (normal margins and font, double spacing) to do an adequate job. You are expected to use some sites other than websites – for example, books, newsmagazines, journals, etc.

  The paper must be your own work, and you must cite any work you quote, including material taken off the internet. **Do not simply cut and paste material from the web or any other source – this is plagiarism. Plagiarism on the paper will result in a failing grade for the paper and the course.**

  *The paper is due the last day of class (May 1). A 1-2 page proposal for the paper is due mid-way in the semester (March 11). The proposal and paper must be handed in on time.*

- **Paper Alternative:** I may experiment with an alternative of an in-class debate between teams, each team composed of 2 students (4 students per topic, 2 pro, 2 con). We will discuss this option and potential topics in class. Students who choose this option will be required to turn in a paper (of about 10 pages) on the topic debated, but one paper will be accepted for the 2 person team. This alternative would count for 20%, the same as the paper discussed above. *(This would be voluntary – a student can always choose the paper option).*

- 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
- Cline, William R: Trade and Income Distribution: The Debate and New Evidence, September 1999, (online)
- 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
- Stelzer, Irwin M., “Immigration: Hard Facts,” American Enterprise Institute, August 1997 (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
   • Lindsey, Brink, ”End Semiconductor Industrial Policy,” *CATO Institute’s Center for Trade Policy Studies”,* May 1998. (online)

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.
   • Griswold, Daniel, “Trade, Labor and the Environment,” CATO Institute, August 2001, online
   • 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 – 1st 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
- CATO Trade Links Site
- The Brookings Institution
- Brookings Institute Economic Site
- 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
- Statistical Resources on the Web