

EC 391: International Economics I

Department of Economics
Boston University

Instructor: Julio Ortiz

Summer 2018 (Session II)

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Office Hours: M/T: 5-6:00PM

Office: 514

Class Hours: M/T/W 6-8:30pm

Class Room: CAS B06A

Course Description

This course explores the causes and consequences of international trade. We begin by posing some guiding questions to focus on throughout the session such as why nations trade, what they trade, and who gains from trade. The session will be divided into three parts. The first part will be devoted to acquiring the skills to answer the questions above. To that end, we begin with a focus on learning the tools of trade theory. The second part of the session will be devoted to analyzing trade policy. The final part of the session will explore additional topics in international trade such as the effects of trade on the labor market and broader topics related to globalization.

Required Materials

- Robert C. Feenstra and Alan M. Taylor, *International Trade*. Worth Publishers, Fourth Edition.
- The articles listed in the Syllabus will be posted in the "Readings" folder on Blackboard. Note that I will include both required and supplemental readings in this folder.

Prerequisites

Students should have completed the following courses:

EC 101, 102, and 201

If you have not yet taken Intermediate Microeconomics, you may take it concurrently as a co-requisite, or obtain prior approval from the instructor. Although it is not a formal prerequisite,

a background in calculus will be useful in this class as the techniques constrained and unconstrained optimization will arise. Previous background in statistics is similarly not required, but can be helpful.

Grading Policy

The course grade will be based on problem sets and exams:

- Problem Sets – 25%
- Midterm Exam (Wednesday, July 18) – 35%
- Final Exam (Wednesday, August 8) – 40%

Class participation will also be evaluated at the end of the session and will help me assigning grades in border cases.

Extra Credit: Select a news article of interest from a reputable news source (The Economist, Wall Street Journal, Financial Times, Foreign Policy, etc.) and prepare a brief presentation on how this relates to a topic covered in the course. Article must first be approved by the instructor. After obtaining approval, we can discuss a date for your presentation. Students are free to determine the form and length of their presentation (again, with prior approval of instructor). Upon successful completion of this assignment, extra credit will be applied to the student's homework grade. Students may take advantage of this opportunity only once during the session.

Homework and Exam Policy: Prior to the midterm exam, homework will be assigned every Monday and will be due the following Monday. Homework assignments will mimic exam format in their structure. Following the midterm, the homework schedule will shift to being assigned on Wednesdays, to be submitted the following Wednesday.

I will not accept submissions of homework past the due date, and I will not offer make-up exams. The Final exam's will take place on the last day of classes. The final is comprehensive and closed-book.

Additional Course Policies

During Class

I understand that the electronic recording of notes will be important for class and so computers will be allowed in class. Please refrain from using computers for anything but activities related to class.

Attendance Policy

Attendance is expected at all lectures. While I will not formally take attendance, note that skipping class will obviously affect your ability to participate. Furthermore, excessive absences are typically correlated with underperformance along other dimensions.

Academic Integrity and Honesty

It is your responsibility to know and understand the provisions of the CAS Academic Conduct Code. The encouragement to collaborate on homework assignments is not extended to tests. Read the CAS Academic Conduct Code, which you can pick up in room CAS B-3 or download at www.bu.edu/academics/policies/academic-conduct-code/. Misconduct can involve more subtle acts than direct cheating: for instance, submitting the same work for several courses without the consent of instructors. I will report all cases of suspected academic misconduct to the Deans' Office.

Course Outline and (Tentative) Schedule

The schedule is tentative and subject to change depending on what the best pace for the class is as well as students' interests in later topics.

All of the material below will be supplemented by stand-alone class lecture slides.

(* denotes required reading)

Part I – Theories of International Trade

Week 1: Introduction, Micro Preliminaries, and the Ricardian Model

*Feenstra, Chapter 1.1

*Feenstra, Chapter 2

Krugman, P. (1997). "The Accidental Theorist."

Dornbusch, R., S. Fischer, and P. Samuelson (1977). "Comparative Advantage, Trade, and Payments in a Ricardian Model with a Continuum of Goods.", *The American Economic Review* 67(5): 823-839.

Monday, July 2: Problem Set 1 assigned.

Week 2: Specific-Factors Model, Heckscher-Ohlin Model, and Imperfect Competition

*Feenstra, Chapter 3

*Feenstra, Chapter 4

*Feenstra, Chapter 6

*Krugman, P. (2008). "The Increasing Returns Revolution in Trade and Geography." Nobel Prize Lecture.

*Bernard, A.B., J.B. Jensen, S. Redding, and P.K. Schott (2007). "Firms in International Trade." *Journal of Economic Perspectives* 21(3): 105-130.

*Feenstra, R. C. (2018). "Alternative Sources of the Gains from International Trade: Variety, Creative Destruction, and Markups." *Journal of Economic Perspectives* 21(3): 25-46.

Rodrik, D. "What did NAFTA really do?"

Caliendo, L. and Parro, F. (2015). "Estimates of the Trade and Welfare Effects of NAFTA." *The Review of Economic Studies* 82(1): 1-44.

Autor, D., Dorn, D, and Hanson, G. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review*, 103(6): October 2121-2168.

Burfisher, M., Robinson, S. and Thierfelder, K. (2001). "The Impact of NAFTA on the United States." *Journal of Economic Perspectives* 15(1) 125-144.

Monday, July 9: Problem Set 1 due. Problem Set 2 assigned.

Part II – Trade Policy and Institutions

Week 3: International Trade Policy

*Feenstra, Chapter 8

*Feenstra, Chapter 9

Review Session for Midterm Exam

Monday, July 16: Problem Set 2 due.

July 18, 2018: Midterm Exam and Problem Set 3 assigned

Week 4: Trade Policy and Institutions (Continued)

*Feenstra, Chapter 10.1-10.6

*Feenstra, Chapter 11.1-11.2

*Baldwin, R. (2018). "The World Trade Organization and the Future of Multilateralism." *Journal of Economic Perspectives* 30(1): 95-116.

Wednesday July 25: Problem Set 3 due. Problem Set 4 assigned.

Part III – Topics

Week 5: Trade, Migration, FDI

*Feenstra, Chapter 5

The Economist (2008). Special Report: "Migration." January 3.

Yeaple, Stephen R. (2013). "The Multinational Firm." *Annual Review of Economics* 5(1):193-217.

Tempest, R. (1996). "Barbie and the World Economy." *Los Angeles Times*, September 22.

Linden, G., K. Kraemer, and J. Dedrick. (2007). "Who Captures Value in a Global Innovation System? The case of Apple's iPod." Unpublished Manuscript, Personal Computing Industry Center, UC Irvine.

Wednesday, August 1: Problem Set 4 due. Problem Set 5 assigned.

Week 6: Offshoring and Globalization

*Feenstra, Chapter 7.1-7.3

*Fort, T.C., Pierce, J.R., and P.K. Schott (2018). "New Perspectives on the Decline of US Manufacturing Employment." *Journal of Economic Perspectives* 32(2): 47-72.

The Economist (2006). Survey: "A World Economy. More Pain than Gain." September 14.

The Economist (2008). Economic Focus: "Krugman's Conundrum." April 17.

The Economist (2004) Survey: "Outsourcing." November 11.

Krugman, P. "Globalization: What Did We Miss?"

DeLong, B. "Globalization: What Did Paul Krugman Miss?"

August 8, 2018: Final Exam and Problem Set 5 due