International Trade (Economics 371)
Wesleyan University, Fall 2010

Professor: Bill Craighead
E-mail: bcairhead@wesleyan.edu  Office: PAC 330
Office hours: Monday, 3:30 - 5:00 pm; Tuesday 1:00 - 2:30 pm; and by appointment

Class meets Monday and Wednesday, 11:00 am - 12:20 pm, in PAC 136

This course will examine the causes and consequences of the exchange of goods and services between countries. Several different theories of international trade will be studied, beginning with David Ricardo’s insight about comparative advantage and continuing through recent developments such as Paul Krugman’s monopolistic competition trade model. The course will also examine trade policy and the institutions of the world trading system. Several controversial issues related to international trade will be considered.

Intermediate microeconomics is a prerequisite for this course. Familiarity with basic microeconomic concepts such as utility and profit maximization will be assumed. The lectures, problem sets and exams will make use of algebra and some calculus.


Approximately 4-6 problem sets will be assigned during the course. Students may work together, but must turn in the assignments individually. Grades will be based on selected problems from each problem set. Late assignments will not be accepted and no extensions will be granted. Each student’s lowest problem set grade will be dropped from the overall grade calculation.

Students will also be required to write a paper, which will be a “case study” that describes and assesses an international trade agreement or dispute.

Grades will be calculated as a weighted average, based on the problem sets (10%), two in-class midterm exams (20% each), the paper (20%) and a comprehensive final exam (30%). Midterm exams are tentatively scheduled for Monday, October 11 and Monday, November 15. In the event of a serious illness, family emergency or university-sponsored travel, students may ask, in advance, for permission to take exams early or to have weight added to the final exam grade in place of the midterm; no late exams will be given. In the event of a perceived mistake in grading, a written explanation should be attached to the exam and submitted within 5 business days after the exams are returned to the class. The final exam is scheduled for Friday, December 17 at 2 pm.

*The use of computers, mobile phones, etc. – including for text messaging – is not permitted in class.*

This syllabus and the course outline and reading list are subject to changes, which will be announced in class.
Course Outline and Reading List

Readings Marked (o) are optional

I. Introduction

Mathematical Tools for Econ 371

II. Standard Trade Theory

a. Classical Trade Theory
FT, ch. 2

b. Neoclassical Trade Theory
FT, ch. 4

III. The Institutional Setting of World Trade

a. GATT and the WTO
FT, ch 8.1
Irwin, p. 219-244
S. Chan, “US and Brazil Reach Agreement on Cotton Dispute,” *New York Times*, April 6, 2010

b. Preferential Trade Agreements
FT, ch. 11.1
Irwin, p. 260-269
V. Fung, “Bilateral Deals Destroy Global Trade,” *Financial Times*, Nov. 4, 2005
J. Bhagwati and A. Panagariya, “Bilateral Trade Treaties are a Sham,” *Financial Times*, July 13, 2003
(o) Krueger, Anne O., “Are Preferential Trading Arrangements Trade-Liberating or Protectionist?” *Journal of Economic Perspectives*, Fall 1999
c. Antidumping, Countervailing Duties and Safeguards
FT, ch. 9.4
Irwin, ch. 5

IV. Tariffs (and Quotas)
FT, ch. 8, 9.3

V. New Trade Theory
a. Increasing Returns and Monopolistic Competition
FT, p. 185-209
b. The Gravity Equation
FT, p. 209-215
A. Rose, “Do We Really Know That the WTO Increases Trade?” *American Economic Review*, March 2004

*The Economist*, “Is There Any Point to the WTO?” August 4, 2005

c. Intermediate Goods Trade

FT, ch. 7.1


VI. Trade and Developing Countries

FT, ch. 9.2

Irwin, ch. 6 (p. 176-204)


VII. Trade and the Environment

FT, ch. 11.3

Irwin, ch. 7 (p. 244-260)


VIII. Trade and Labor Standards

FT, ch. 11.2

Irwin, ch. 6 (p. 204-218)


IX. Intellectual Property

X. Outsourcing

XI. Trade in a Dynamic Setting

XII. Trade in Perspective
   M. Kinsley, “Free Trade Butters,” Slate, Jan. 8, 2004