

# THE GEORGE WASHINGTON UNIVERSITY

## **ECON 181. International Economics**

**Fall 2007**

**Prof. Jorge Vega**

### **Course Objectives:**

- To understand the gains from international trade.
- To study the main economic theories and models that try to explain the pattern of foreign trade in a country.
- To evaluate the rationale and the effectiveness of import restriction and export promotion policies.
- To analyze the functioning of the world trade system in the context of globalization.

### **Reading Material:**

The textbook recommended for the course is: Dunn, Robert and Mutti, John "International Economics", Sixth Edition. Routledge. 2004. As a complementary textbook, students are also advised to read: Krugman, Paul and Obstfeld, Maurice "International Economics: Theory and Policy", 7<sup>th</sup> Edition. Addison-Wesley. 2005. Besides, specific readings will be required for some of the issues covered in the course.

### **Course Evaluation:**

Mid term exam: 50%

Final exam: 50%

### **Course Outline and Reading List:**

1. Introduction: What is international trade about.  
The gains from trade.  
The pattern of trade.

Dunn, R. and Mutti, J. (2004). Chapter 1.

Krugman, P. and Obstfeld, M. (2005). Chapters 1 and 2.

2. Comparative advantage models.
  - Labor productivity and comparative advantage: The classical theory.
  - Factor endowments and the Heckscher-Ohlin model.
  - International terms of trade and the equilibrium of trade.
  - International trade and income distribution.

Dunn, R. and Mutti, J. (2004). Chapters 2 and 3.

Krugman, P. and Obstfeld, M. (2005). Chapters 3 and 4.

Findlay, Ronald (1970). "Trade and Specialization". Harmondsworth, Penguin. Chapter 2.

3. The new theories of international trade.
  - Interindustry trade vs. intraindustry trade.
  - Economies of scale, imperfect competition and international trade.
  - Other trade models: technological differences; differences in tastes and income; new products.

Dunn, R. and Mutti, J. (2004). Chapter 4.

Krugman, P. and Obstfeld, M. (2005). Chapter 6.

4. The theory of protection.
  - Import tariffs.
  - Export subsidies and taxes.
  - Quantitative restrictions on foreign trade.
  - The theory of effective protection.

Dunn, R. and Mutti, J. (2004). Chapter 5.

Krugman, P. and Obstfeld (2005). Chapter 8.

Corden, William (1971) "Theory of Protection". Clarendon Press. Chapter 2.

5. The political economy of trade policy.
  - Arguments for protection.
  - Import substitution policies.
  - Export promotion policies.
  - Import tariffs and internal taxes on production and consumption.

Dunn, R. and Mutti, J. (2004). Chapters 6 and 10.

Krugman, P. and Obstfeld, M. (2005). Chapters 9 and 10.

Bhagwati, Jagdish (2002). "Free Trade Today". Princeton University Press. Chapter 1.

6. Preferential trade agreements: regionalism and multilateralism
  - Free trade areas and customs union.
  - Multilateral trade agreements: From the GATT to the WTO.

Dunn, R. and Mutti, J. (2004). Chapters 7 and 8.

Krugman, P. and Ostfeld, M. (2005). Chapter 9.

Hoekman, Bernard (2002). "*The WTO: Functions and Basic Principles*"; in Hoekman, Bernard, Mattoo, Aaditya and English, Philip, eds. "Development, Trade and the WTO". The World Bank. Washington, DC.

Bhagwati, J. (2002). Op. cit. Chapter 3.

7. Topics in international trade.
- International trade and globalization.
  - International factor movements.
  - International trade in services.
  - Poverty and international trade.

Dunn, R. and Mutti, J. (2004). Chapters 9 and 11.

Krugman, P. and Obstfeld, M. (2005). Chapter 11.

Hodge, James (2002). "*Liberalization of Trade in Services in Developing Countries*"; in Hoekman, B. et al., eds. Op. cit.

Bhagwati, J. (2002). Op. cit. Chapter 2.

Winters, Alan (2002). "*Trade Policies for Poverty Alleviation*"; in Hoekman, B. et al., eds. Op. cit.