Course Outline

This course explores the theoretical and empirical foundations of international trade, focusing on why nations export what they export, and in what sense international trade is beneficial to trading countries. Emphasis will also be placed on how trade policies can be used to pursue national or global objectives, and the role of trade agreements in the world trading system. Current policy issues will be examined to explore the usefulness as well as the limitations of the theory.

Prerequisites: Economics 1.

Books:


Grading: There will be one midterm, a final exam, a paper and 6 problems sets. The grading will be as follows:

10% - 6 graded problems sets.
30% - midterm exam Monday, October 21
20% - paper due Friday November 15
40% - final exam Tuesday November 26, 3:00 pm – 6:00 pm

More information on the paper will be distributed later in the course. No papers will be accepted after the end of class on Friday November 15.

All Economics 39 students are of course expected to adhere to Dartmouth’s Academic Honor Principle: https://student-affairs.dartmouth.edu/policy/academic-honor-principle.
Reading List

I. Introduction

Feenstra-Taylor Chapter 1.

II. The Law of Comparative Advantage

1. Pure Exchange

“Exchange Model” C_J_CH2 Notes on Canvas.

2. Production, Consumption, and Trade in the Basic Trade Model

“The Basic Trade Model” C_J_CH3 Notes on Canvas.

3. Tariffs and Commercial Policy in the Basic Trade Model

“Tariff” C_J_CH11 Notes on Canvas.

4. Applications


III. Theories of Comparative Advantage


Feenstra-Taylor, Chapter 1.


Feenstra-Taylor, Chapter 2.

3. The Specific Factors Model and The Heckscher-Ohlin Model

Feenstra-Taylor, Chapters 3, 4, 5.


IV. Alternative Explanations of International Trade

1. Increasing Returns and Imperfect Competition

Feenstra-Taylor, Chapter 6.

V. Protection, Industrial Policy and the Economics of Trade Agreements

1. Import Protection: A Partial Equilibrium Analysis

Feenstra-Taylor, Chapter 8.

2. Tariffs and Trade Agreements

Feenstra-Taylor, Chapter 11.
Bagwell-Staiger, Chapters 1-5.

