Syllabus for International Trade (ECON 722)
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Arslan Razmi
Department of Economics
824 Thompson Hall
arazmi@econs.umass.edu

Class website: http://courses.umass.edu/econ722

Overview
International trade patterns are evolving rapidly, affecting both how countries interact and how we try to comprehend the nature of international transactions in an academic setting. This course will attempt to cover a broad array of relevant topics over the duration of an (all-too-short) semester. In doing so, it will emphasize theoretical models and their policy implications, as well as empirical studies of how well those models fit “real world” data. Furthermore, the course will frequently compare and contrast alternative theories/conceptions of the nature of international trade and the gains or losses thereof. Understanding the economic intuition behind the technically demanding models as well as thinking critically about the assumptions behind the theories and how well they fit actual trading economies will be a major focus. We will use a standard textbook to identify and broadly comprehend the core set of theories that graduate students of international trade would be exposed to during a typical course. We will then use different books, papers, articles, commentaries, empirical sources, etc. to explore the relevance of various trade theories/models to the world that we inhabit, both in terms of their logico-deductive structure and empirical performance, as well as their policy implications for growth, income distribution, and development.

This course is being offered at a very interesting time. Income distribution has, in light of the Occupy protests, become a major issue in the industrialized economies. Many blame trade treaties and liberalization at least partly for the rising income inequality witnessed in the US and other rich economies over the last few decades. A number of low and middle income economies, on the other hand, are pursuing growth through trade pacts and liberalization. China’s emergence as a global exporting powerhouse continues even as critics blame its allegedly “unfair” trading practices for the soaring US trade deficits and for declining labor incomes and jobs.

This course will provide an excellent opportunity to discuss some of these issues and to use formal theoretical tools to make sense of the arguments involved. Since it is not possible to cover all aspects of international trade in class, the lectures will focus on a “core” of major theoretical models and policy analyses. Student participation will be sought and encouraged.

Class Website
The class website will contain the syllabus (and any updates) plus announcements, assignments, and other useful information (e.g., links to readings and related websites).

Work Requirements
There will be one midterm exam (Thursday, October 25) and a take home final exam (date TBA). Problem sets will be distributed to provide practice and to help fix ideas. The midterm and final exams will account for 40% and 30% of the grade, respectively. Satisfactory problem set completion will account for the other 30%.
Books and Articles

Required textbook:

Supplementary book readings:
Some of the following books will be placed on reserve at the library:

Reading List

1. A Brief Historical Introduction: Where Are We and How We Got Here

2 Core Trade Models
   A. The Classical Theory of Trade
   *Feenstra, chap. 1.


**B. Neoclassical Theories: Heckscher-Ohlin and Related Models**

*Feenstra, chaps. 2-3.


**C. Trade and Wages: Alternative Theoretical Perspectives and Empirical Evidence**

*Feenstra, chap. 4.


D. The Ricardo-Viner Model: Trade in the Presence of Specific Factors.
*Feenstra, chapter 3.


*Feenstra, chap. 5.


F. Marxist and Dependencia Theories of Trade: Motives, Dynamics, and Consequences for the International Division of Labor and Income Distribution

3. Trade Policy Under Perfect and Imperfect Competition. Static and Dynamic Effects.

A. Does Specialization Matter?


B. Tariff and Non-Tariff Barriers Under Different Scenarios.
* Feenstra, chapters 7 and 8.

C. Multilateral Trade Agreements as a Tool of Policy
*Feenstra, chaps. 6-7.


4. Trade and Development

A. Trade Liberalization, Poverty, and Development
*Feenstra, chap. 10.


B. The World Trade Organization and the “Doha Round” of Negotiations. Is it Really About Development?


C. Living in a Changing World: Trade in Intermediate Products and Offshoring


D. Is China a Threat or an Opportunity.


*Feenstra, chap. 11.

