Syllabus for International Trade (ECON 722)

Arslan Razmi        Class Time: Tue. 6-8:30 PM
Department of Economics      Ninth Floor Conference Room
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Class website:  http://courses.umass.edu/econ722

Overview
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 both theoretical (mathematical/analytical) models as well as empirical studies of how well those models fit “real world” data. Moreover, 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. The rather unique nature of what this course attempts to achieve is underlined by the fact that there is no single textbook that would serve our purpose. 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 in 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 live in, both in terms of their logico-deductive structure and empirical performance, as well as their policy implications for growth, income distribution, and development. This will provide us with the perfect segue then to chip away at the (artificial) barriers dividing trade theory from international finance, economic history, growth, and development theory, and even aspects of political sociology. Moreover, apart from providing us with a chance to re-evaluate the case for “free” trade from different perspectives, our approach will also help us come to terms with the ever-widening breach between varying perceptions of somewhat amorphous (and misleading) terms such as “trade liberalization” and “globalization.”

This course is being offered at a very interesting time. Debates surrounding the process of “globalization” have aroused much interest both in academic circles and amongst global citizenry. This course will provide an excellent opportunity to discuss some of these issues and to use theoretical tools to make sense of the fundamental 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, policy analyses, and empirical studies. 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 (on Thursday, November 10) and a research paper (due at the end of the semester). Problem sets will be distributed to provide practice and to help fix ideas. The midterm and paper will count for 30% and 50% of the grade, respectively. Satisfactory problem set completion will count for the other 20%.
Books and Articles

Required textbook:

Supplementary book readings:
In addition, the following books will be placed on reserve at the library:
Andrea Maneschi, *Comparative Advantage in International Trade: A Historical Perspective* (Edward Elgar, 1998)


**Reading List**

* denotes required readings. Most of these readings will be placed on reserve or made accessible online. In class, we will only discuss a fraction of the readings on this list. However, the list should help students during their research for the paper. Also, it should be useful for future reference.

1. A Brief Historical Introduction to the Theory and Practice of International Trade


2 Core Trade Models and Empirical Tests

A. The Classical Theory of Trade

*Feenstra, chap. 1 or MMKM, chaps. 1-7 & Appendixes 1-2.


Andrea Maneschi, Comparative Advantage in International Trade: A Historical Perspective.


Edward Leamer, editor, International Economics, Preface and readings by Samuelson (pp. 19-33) and Jones (pp. 24-55).


B. Neoclassical Theories: Heckscher-Ohlin and Related Models

*Feenstra, chaps. 2-3 or MMKM, chaps. 8-9, 14, & Appendixes 3-4.


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3. Trade and Wages: Mainstream and Alternative Theoretical Perspectives and Empirical Evidence

* Feenstra, chap. 4.


William R. Cline, *Trade and Income Distribution*.


Feenstra, R., C. and Hanson, G., “Global Production Sharing and Rising Inequality,” NBER Working Paper number 8372.


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


5. The “New” Trade Theories: Increasing Returns, Intra-Industry Trade, Geography, and the Gravity Model

*Feenstra, chap. 5 or MMKM, chaps. 12-13.

Paul R. Krugman, *Rethinking International Trade.*


6. Trade Policies and Multilateral Trade Agreements

*Feenstra, chaps. 6-7 or MMKM, chs. 15, 16, 18, and 20.


Polaski, Sandra, “Mexican Employment, Productivity, and Income a Decade After NAFTA,” Brief submitted to the Canadian Standing Senate Committee on Foreign Affairs, Feb. 25 2004.


Brown, Deardorff, and Stern, “CGE Modeling and Analysis of Multilateral and Regional Negotiating Options,” School of Public Policy, University of Michigan, Discussion Paper number 468.

7. Trade, Development, and Growth

*Feenstra, chap. 10 or MMKM, chap. 23


Pasinetti, L., Structural Change and Economic Growth (1981), chap. 11.


Jayme, Frederico, Notes on Trade and Growth


*Feenstra, chap. 11 or MMKM, chs. 21-22.


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