COURSE OUTLINE

I. Catalog Description

EC 404 International Trade Theory and Policy (4)

Analysis of the causes of patterns of trade; the effects of tariffs and quotas; the effects of trade on domestic income patterns; the effects of international investment and the effects of trade on economic growth. 4 lectures/problem-solving  Prerequisites: EC 201 and 202; EC 401 recommended.

II. Required Background or Experience

EC 201 and EC 202; EC 401 recommended.

III. Expected Outcomes

Students in EC 404 will:

a) develop basic comprehension of international trade theory,

b) read and interpret information available in international trade journals such as "International Financial Statistics" and "Staff Papers of the International Monetary Fund",

c) define and describe problems arising from separation of the market as a result language and cultural barriers, and the effects that immobility of factors has on the possibility of unification of these markets, and

d) summarize and interpret the basic effects of present and future international tariff and "quota" policy.

IV. Text and Readings

Texts:


**Readings:**


**References:**

American Economic Review
Blanca Nazionale Del Lavoro
Brookings Discussion Papers in International Economics
Canadian Journal of Economics and Statistics
Economic Inquiry
Economica
Economic Journal
Economic Record
Federal Reserve publications
International Economic Review
International Financial Statistics
Journal of Banking and Finance
Journal of International Economics
Journal of International Money and Finance
Journal of Monetary Economics
Journal of Political Economy
Oxford Economic Papers
Princeton Studies in International Finance
Review of Economics and Statistics
Staff Papers
Survey of Current Business
Welwirtschaftliches Archiv
Zeitschrift für Wirtschafts und Sozialwissenschaften

**V. Minimum Student Materials**

Textbooks, and access to references, graphing materials and computing facilities.
VI. Minimum College Facilities

Classroom suitable for discussion, presentation of research results and equipped for use of audio-visual materials. Access to personal computers (PCs).

VII. Course Outline

A. Theory and Methodology

B. The Theory of Comparative Costs
   1. Real Cost Theory
   2. Opportunity Cost Theory
   3. Effects of Size of Countries
   4. Increasing and Decreasing Costs
   5. Production Functions

C. Consumption and International Trade - Consumption Patterns

D. Equilibrium in International Trade

E. Effects of International Trade on the Factors of Production
   1. Factor Price Changes
   2. Factor Quantity Changes
   3. Income Redistribution

F. Tariffs and International Trade
   1. Arguments for Protection
   2. Effects of a Tariff
   3. Tariff Policy
4. Welfare Effects of a Tariff

G. Economic Unions and International Trade

1. Effects of a Custom Union

2. General Equilibrium

3. EEC

4. EFTA

5. NAFTA

H. Trade and Economic Growth

I. Welfare and International Trade

J. Trade and Commercial Policy

VIII. Instructional Methods

Daily lecture and discussion sessions of assigned readings. Where applicable, multi-media will be used to augment lectures and discussions. Students will be assigned readings and projects. Students may present the results of their studies for critique by the class members and the professor.

IX. Evaluation of Outcomes

In addition to participation in class discussions, there will be three required writing assignments:

a) **Term Paper:** The student will write a term paper that examines a specific international trade problem. The source of the problem and solutions to the problem must be identified and critically analyzed in the paper. The paper must additionally discuss changes in overall economic welfare and progress towards optimality with respect to their chosen topic. The analysis and results of the topic may be presented orally to the class.

b) **Book Report:** Each student will submit a short book report on a "popular effort" book pertaining to international trade. This report will contain positive and normative analyses of the book's topic.
c) **Final Exam:** An cumulative essay examination is additionally required for all students.