ECON 181. International Economics
Fall 2007
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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:
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.


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.


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.


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


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.


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


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


