WELLESLEY COLLEGE

Economics 214

**Trade Policy, Fall 2014**

David L. Lindauer Office Hours:

422 Pendleton East T 12-1:30; F 12-1:00

781-283- 2159 and by appointment.

Economics 214, Trade Policy, is an introductory course in international economics. The course focuses on microeconomic dimensions of trade relations between countries. We examine why nations engage in international trade and evaluate the benefits and costs of such activity. We also examine the arguments for and against trade protection, with a focus on U.S. experience. Economics 101 and 102 (or their equivalents) are pre-requisites for the course.

Econ 214 meets on Tuesday and Friday, 9:50-11:00, and at the same time on the following six Wednesdays: September 17; October 1, 15 and 29; November 12 and December 3.

# COURSE REQUIREMENTS:

One in-class hourly, covering Sections I, II and III of PART ONE of the syllabus, will be given on or about October 7. A final exam will be given as a self-scheduled exam during Final Exam Period. A Research Project on a specific case of trade protection also is required. The Research Project requires you to submit a Proposal (due October 3); an in-class Oral Report (November 11 or 12); the Paper (due November 14); and a Revised Paper (due the last day of classes). The Research Project is fully described in the project’s website: <http://www.wellesley.edu/economics/faculty/lindauer/teaching/econ214>

The hourly exam, the final exam and the Research Project *each* count for 30 percent of your course grade. A number of weekly assignments, including problem sets, short essays and case method classes, account for the remaining 10 percent of the course grade.

**REQUIRED TEXTS**

Douglas A. Irwin, *International Trade: Theory and Policy* (forthcoming) [TEXT]

Douglas A. Irwin, Free Trade Under Fire, 3rd edition (Princeton: 2009) [UNDER FIRE]

Russell D. Roberts, *The Choice: A Fable of Free Trade and Protectionism*, 3rd edition

(Prentice Hall: 2007) [CHOICE]

**e-RESOURCES**

Economics 214 will use a Google Group (Econ214-01-FA14) and Google Docs. Copies of the syllabus, assignments and other information, including course updates and articles on current issues in international trade, will be posted. Students are expected to read messages in our Google Group regularly. The Google Group should be used by all members of the class to raise questions and exchange information.

***Throughout the course you are expected to make ACTIVE USE of assigned readings.***

**PART ONE: THE THEORY OF INTERNATIONAL TRADE**

**I. Introduction (September 2-5)**

NPR, “Planet Money Makes a T-Shirt: The world behind a simple shirt, in five chapters,” (2013) <http://apps.npr.org/tshirt/#/title> (*video*)

B. Bernanke, “Global Economic Integration: What’s New and What’s Not?” (Aug. 2006) <http://www.federalreserve.gov/newsevents/speech/bernanke20060825a.htm>

UNDER FIRE, Introduction

C. O’Keefe, “The traveling bra salesman’s lesson,” The Economist: The World in 2005;

<http://www.wolaver.org/peace/outsourcing.htm>

**II. Absolute and Comparative Advantage (September 8-12)**

TEXT, Chapters 2, 4

CHOICE, Chapters 1, 2, 3

The Economist, "The Miracle of Trade" (Jan. 27, 1996), (*Google Drive*)

V. Postrel, “What Happened When Two Countries Liberalized Trade? Pain, Then Gain,”

New York Times (Jan. 27, 2005)

B. Yarbrough and R. Yarbrough, The World Economy, Fourth Edition (Dryden: 1997),

Chapter Two, Case One, pp. 58-60, (*Google Drive*)

P. Krugman, “Ricardo’s Difficult Idea: Why Intellectuals Don’t Understand Comparative Advantage,” G. Cook, ed., The Economics and Politics of International Trade (Routledge: 1998); <http://www.pkarchive.org/trade/ricardo.html>

**III. International Equilibrium (September 15 – October 7)**

TEXT, Chapter 3

CHOICE, Chapters 4, 5, 6

UNDER FIRE, Chapter 2, pp. 39-69

B. Yarbrough and R. Yarbrough, The World Economy, Seventh Edition (Thomson: 2007), Chapter Three, Cases Two, Three and Four, pp. 68-71 (*Google Drive*)

P. Krugman, “What Do Undergrads Need to Know about Trade?,” American Economic Review

(May 1993)

H. Varian, “What Goes Abroad Usually Comes Back, With Benefits,” New York Times

(March 11, 2004)

F. Langfitt, “Shifting Jobs, Adapting Workers,” A Three-Part Series, NPR (December 2009);

<http://www.npr.org/series/121637143/shifting-jobs-adapting-workers> (*audio*)

**IV. Trade and Distribution (October 8-21)**

R. Driskill, “Why Do Economists Make Such Dismal Arguments About Trade?” Foreign Policy

(May 2008)

UNDER FIRE, Chapter 4, pp. 105-36

A. Krueger, “Land of Hope and Dreams: Rock and Roll, Economics and Rebuilding the Middle Class” (June 12, 2013); <http://www.whitehouse.gov/sites/default/files/docs/hope_and_dreams_-_final.pdf>

S. Cohen and J. Bradford DeLong, “Shaken and Stirred,” The Atlantic (Jan/Feb 2005)

G. Packer, “The Broken Contract: Inequality and American Decline,” Foreign Affairs

(Nov/Dec 2011)

**PART TWO: THE ECONOMICS OF TRADE PROTECTION**

**V. Tariffs and the Costs of Protection (October 22-November 4)**

TEXT, Chapter 8, pp. 1-10 and 21-25

CHOICE, Chapter 7

G. Hufbauer and S. Lowry, “US Tire Tariffs: Saving Few Jobs at High Cost,” Policy Brief,

PB12-9, Peterson Institute for International Economics (April 2012); <http://www.iie.com/publications/pb/pb12-9.pdf>

A. Davidson, “World Sock Capital Suffers From Duty-Free Imports” (Nov. 27, 2007) and “Thriving Honduran Sock Industry May Disappear,” (Nov. 28, 2007); (audio); <http://www.npr.org/templates/story/story.php?storyId=16661333>

# Planet Money, “Why U.S. Taxpayers Are Paying Brazilian Cotton Growers” (October 29, 2010),

<http://www.npr.org/blogs/money/2010/10/29/130917279/the-friday-podcast-cotton-wars> (audio)

E. Gresser, “The Rebirth of Pro-Shopper Populism: Affordable Shoes, Outdoor Apparel, and The Case for Tariff Reform ,” Progressive Economy (June 2011); <http://progressive-economy.org/files/2012/05/tariffs.taxation.final_1.pdf>

**VI. Arguments For and Against Trade Protection (November 5-14)**

TEXT, Chapters 9; 10, pp.1-9 and 21-28

CHOICE, Chapters 9 to 12, 14 to 16

UNDER FIRE, Chapter 5

R. Kuttner, “Playing Ourselves for Fools,” The American Prospect (January 25, 2010)

<http://www.prospect.org/cs/articles?article=playing_ourselves_for_fools>

**VII. Quotas and Trade Agreements (November 17-December 2)**

TEXT, Chapter 8, 10-16; Chapter 10, pp. 9-20

CHOICE, Chapter 8

Chiquita Brands International (Harvard Business School Publishing: 1996)

P. Krugman, “The Uncomfortable Truth about NAFTA: It’s Foreign Policy, Stupid,”

Foreign Affairs (Nov/Dec 1993)

Public Citizen, “NAFTA at 20: One Million Lost U.S. Jobs …,” (December 2013); <http://www.citizen.org/documents/press-release-NAFTA-at-20.pdf>

A. Posen, “The Errors of Conservatives Obscure the Case for Trade,” Financial Times

(July 22, 2014); <http://www.iie.com/publications/opeds/oped.cfm?ResearchID=2648>

R. Ferguson, “Free Trade: What Do Economists Really Know?” (Oct 2004);

<http://www.federalreserve.gov/boarddocs/speeches/2004/20041007/default.htm>

1. **Workers, Trade and Labor Standards (December 3-9)**

UNDER FIRE, Chapter 6, pp. 204-18

P. Rivoli, “Sisters in Time,” Chapter 6, The Travels of a T-Shirt in the Global Economy (Wiley: 2005) (*Google Drive*)

Hitting the Wall: Nike and International Labor Practices (Harvard Business School Publishing: 2000)

A. Harrison and J. Scorse, “Improving the Conditions of Workers: Minimum Wage Legislation and Anti-Sweatshop Activism,” California Management Review (Winter 2006), pp. 144-60; <http://siteresources.worldbank.org/INTTRADERESEARCH/Resources/544824-1282767179859/ImprovingConditions_of_Workers.pdf>

J. DeParle, “Should We Globalize Labor Too?” New York Times (June 10, 2007)