

University of Minnesota  
Department of Economics

**ECON 4431W: International Trade  
Summer 2006**

**Class(06/12-06/29)**  
Mon-Thu 8-10am  
CSOM 2-233

**Instructor:** KATSIARYNA (KATYA) KARTASHOVA  
Office: 1272 Heller Hall  
Phone: (612) 624-9357  
E-mail: [katyak@econ.umn.edu](mailto:katyak@econ.umn.edu)  
Webpage: [www.econ.umn.edu/~katyak](http://www.econ.umn.edu/~katyak)  
Office Hours: TBA.

**Class(07/03-07/21)**  
Mon-Thu 8-10am  
CSOM 2-233

**Instructor:** FABRIZIO COLONNA  
Office: 1136 Heller Hall  
Phone: (612) 625-4842  
E-mail: [fabrizio@econ.umn.edu](mailto:fabrizio@econ.umn.edu)  
Webpage: [www.econ.umn.edu/~fabrizio](http://www.econ.umn.edu/~fabrizio)  
Office Hours: TBA.

---

COURSE OVERVIEW

This course strives to explain the pattern of trade observed in the world and to account for the prices at which goods are traded. Positive and normative aspects of international markets are examined. Use is made of the theory of comparative advantage, increasing returns, and strategic theories of international trade. Relations between trade and domestic markets for both goods and factors are examined in terms of the theory of trade according to factor endowments. The course studies the effect of trade policy (trade restrictions and protection) within both partial and general equilibrium frameworks. Economic integration between countries is also discussed using the same modeling tools.

---

TEXTBOOK

The two textbooks used in the course are **Appleyard, D., Field, A. J., Jr. and Steven Cobb (2006), *International Economics*, 5th Edition, McGraw-Hill Irwin** (referred to as AF from then on) and **Krugman, P. and Maurice Obstfeld (2003), *International Economics: Theory and Policy*, 6th Edition, Addison Wesley** (referred to as KO from then on). The readings will be assigned from both books, but one of them will serve as a main reference,

and the other as a supplementary one (please, refer to the reading assignment below for details). If you decide to purchase a book, you can buy either, but materials will be made available through electronic reserve for KO only. The AF textbook can be purchased through the University of Minnesota Bookstore in Coffman Union. Other additional reference material are:

- Markusen, J., Melvin, J., Kaempfer, W. and Keith Maskus (1995), *International Trade: Theory and Evidence*, McGraw-Hill.
- Salvatore, D. (2001), *International Economics*, 7th Edition, John Wiley and Sons.
- Bhagwati, J., Panagariya, A. and T.N. Srinivasan (1998), *Lectures on International Trade*, 2nd Edition, MIT Press.
- Bhagwati, J. (1987), *International Trade: Selected Readings*, 2nd Edition, MIT Press.
- Feenstra, C. (2003), *Advanced International Trade: Theory and Evidence*, Princeton University Press.
- Paul Krugman (1997), *Pop Internationalism*, MIT Press.

---

#### COURSE PREREQUISITES AND BACKGROUND

You should have successfully completed ECON 3101 (Intermediate Microeconomics) and ECON 3102 (Intermediate Macroeconomics). The theoretical part of the class involves mathematics, mainly calculus, and you should be at ease with advanced calculus concepts.

You cannot take this class if you have already taken ECON4431V (International Trade (Honors)) or ECON4401 (International Economics).

---

#### INTENDED LEARNING OUTCOMES

By the end of the course the students should:

- Know the key facts relating to international trade.
- Understand the concept of comparative advantage and know its determinants; the working and applications of the Ricardian and Heckscher-Ohlin general equilibrium models of international trade.
- Understand the implications of introducing imperfect competition and increasing returns to scale into models of international trade.
- Be able to evaluate the effects of trade restrictions and of international trade policies on economic welfare and domestic goods and factor markets.

## COURSE REQUIREMENTS

**Homeworks.** There will be 2 homework assignments. You will usually have around 10 days to complete each of them. Due to the fast pace of the course, please, make sure that you start working on assignments with sufficient amount of time in reserve, i.e. do not put off until the last moment.

**Examinations.** There will be a **Midterm Exam (June 29, in class)** and a **Final Exam (July 21, in class)**. The final exam will be cumulative and include material from both parts of the course. Only standard calculators (i.e. not the programmable ones) are allowed in the exam, but no books or notes may be consulted.

Makeups for both the midterm and final can be discussed when a valid, documented excuse is presented. Please, let the Instructor know as soon as possible if you are unable to take an exam on the assigned date, since **last minute requests might not be honored due to time constraints**.

**Writing Assignment.** This class is designated as Writing Intensive (W). Writing Intensive courses, as understood by the Council on Liberal Education, are defined as courses at either the upper or lower division level in which the course grade is directly tied to the quality of the student's writing as well as to knowledge of the subject matter, so that students cannot pass the course without meeting minimal standards of writing competence. Writing part of the course will include submission of the finished report (10-20 pages) on the topic agreed upon between the student and instructor. In the course of the semester and prior to the submission of the finished report you will be required to complete several preliminary written assignments (topic/outline, first draft, report on an academic publication) on which you will receive feedback. Details are provided in a separate writing syllabus.

---

## GENERAL RULES

**No late assignments are accepted.** Only *documented* special circumstances (such as illness, University sports involvement, death in the family) will exempt you from this rule. If you know in advance that you will not be able to submit the assignment on time, you must notify the Instructor before it is due and hand it in early. Assignments are due at the beginning of class. Please do **NOT** submit any problem sets via email.

**Collaboration among students is accepted and highly encouraged.** However, each student should write the homework separately (no single copy from a group of students working together can be submitted), clearly acknowledging any type of help that was received. Identical homeworks will be considered scholastic dishonesty and consequently given a grade of zero.

**College of Liberal Arts Definition of Scholastic Dishonesty:** "Scholastic dishonesty is any act that violates the rights of another student with respect to academic work or that involves misrepresentation of a student's own work. Scholastic dishonesty includes (but is not limited to) cheating on assignments, or examinations,

plagiarizing (misrepresenting as one's own anything done by another), inventing or falsifying research or other findings with the intent to deceive, submitting the same or substantially similar papers (or creative work) for more than one course without consent of all instructors concerned, depriving another of necessary course materials, and sabotaging another's work".

**All assignments must be typed.** Graphs and calculations may be handwritten. Assignments that are not typed will be marked down at discretion of the grader.

**Grade Changes.** Any change of grade on an assignment must be requested **in writing** with a clear explanation of why this is the case. All requests will only be considered within one week upon receipt of the graded material.

---

#### GRADE DISTRIBUTION

The homework assignments will count towards 20% of the grade. The Midterm Exam will count for 25% of the final grade, and the Final Exam will be worth 30% of the final grade. The writing assignment will be worth the remaining 25% of the final grade.

---

#### GRADING SCALE

Percentage	Grade
100-92	A
91-90	A-
89-88	B+
87-82	B
81-80	B-
79-78	C+
77-72	C
71-70	C-
69-68	D+
67-60	D
59 and below	F

**NOTE:** You **MUST** receive at least a C- on your Writing Assignment in order to pass the course. This is a firm policy. Students taking the class on an S-N basis must receive at least a C- to receive an S.

---

#### TOPICS AND READINGS

**Please, read assigned material in advance and come prepared to class. This will enhance your comprehension of the course and make the class more dynamic.**

(\*) indicates main reference

### **I. Introduction**

- AF(\*): Chapter 1.
- KO: Chapter 1.

### **II. Ricardian Model**

- AF: Chapters 2-4.
- KO(\*): Chapter 2.

### **III. The Neoclassical Model**

- AF(\*): Chapters 5-7.
- KO: Chapter 5 (and appendix).

### **IV. Specific Factors and Income distribution**

- KO(\*): Chapter 3.

### **V. The Heckscher-Ohlin Model**

- AF: Chapters 8,9.
- KO(\*): Chapter 4.

### **VI. Increasing returns to Scale and Imperfect Competition**

- AF: Chapter 10.
- KO(\*): Chapter 6.

### **VII. Trade Policy: Partial Equilibrium**

- AF(\*): Chapters 13,14 (and Appendix).
- KO: Chapter 8 (and Appendix).

### **VIII. Trade Policy: General Equilibrium**

- AF: Chapter 14.
- KO(\*): Chapter 8 (Appendix I only) and Chapter 9 (and Appendix).

### **IX. Trade Policy: Arguments for Protection**

- AF(\*): Chapters 15-16.
- KO: Chapters 10-11.

### **X. Economic Integration**

- AF(\*): Chapter 18.

---

#### CALENDAR

#### **June 2006**

- 12 - Classes begin
- 15 - homework I assigned
- 16 - writing assignment topic/outline due
- 19 - writing assignment topic/outline returned
- 26 - homework I due
- 28 - homework I returned
- 29 - first draft of the writing assignment due (Parts A and B)
- 29 - midterm

**July 2006**

5 - first draft of the writing assignment returned

6 - homework II assigned

17 - homework II due

20 - homework II returned

21 - writing assignment final report (written and electronic submission) due

21 - final exam