

EC 391: INTERNATIONAL ECONOMICS
Fall 2009
Professor R. Lucas
Monday, Wednesday & Friday 10.00-11.00 CAS 216

Office hours

Monday 1-2 and Friday 8-10; Room 500, 264 Bay State Rd.

Course content

The focus of this section of EC391 is on the theory of international trade, plus evidence and policies in light of these theories. Topics include the theories of comparative advantage and the gains from trade, the links between trade and economic development, policy barriers to trade, the case for trade liberalization and the role of economic integration in this process.

Prerequisites

The course will assume a knowledge of micro-economics equivalent to EC201. Only a little algebra will be used and no calculus.

Requirements

The requirements for this course are two examinations:

The mid-term examination will be held during class time on **Friday October 23rd**.
The final examination is scheduled for **Monday, December 21st 9-11**.

The grade for the course is determined entirely by your examination results. The mid-term examination will comprise 40 percent of the total grade, the final examination will comprise the remaining 60 percent of the grade. The final examination is cumulative.

Both examinations are required. The only excuses for missing an exam are serious illness or a family emergency. Students who have a legitimate excuse to miss an exam must provide documentation. Failure to provide such documentation will result in a grade of zero on that exam. No make-up exam will be set for the midterm. Instead, students unable to attend the midterm examination for a documented reason will receive a course grade determined by performance on the final examination.

Text

The text for this course is Dominick Salvatore, International Economics. The text is available in the BU Bookstore.

A few additional papers are also included on the reading list and copies of these are placed on reserve at Mugar Library.

Academic conduct

You need to read the CAS Academic Conduct Code, which you can pick up in room CAS B3. Academic misconduct involves not only direct cheating on tests, but some more subtle acts as well. All work handed in for credit must be your own, with the exception that you may quote or paraphrase from other sources if you also cite the reference and page number. (It is not permissible, however, to use another student's work even if you cite that work.) Your consultations with classmates should be limited to general discussions. I will report cases of suspected academic misconduct to the Dean's Office. Confirmed cases of misconduct will result in a failing grade on the exam or assignment.

Reading Assignments

Week 1: The Law of Comparative Advantage: Fixed Costs. Text: Chapters 1 and 2.

Week 2: The General Case of Trade and Increasing Costs. Text: Chapter 3.

Week 3: Offers Curves and the Terms of Trade. Text: Chapter 4.

Weeks 4 and 5: Factor Endowments and Trade. Text: Chapter 5.

Jeffrey D. Sachs and Howard J. Shatz, "US trade with developing countries and wage inequality", *American Economic Review*, May 1996, 234-239.

Week 6: Economies of Scale and Imperfect Competition. Text: Chapter 6.

Week 7: Economic Growth. Text: Chapters 7

Weeks 8 and 9: Trade Restrictions: Tariffs. Text: Chapter 8.

Week 10: Trade and the Exchange Rate. Text: Chapter 14.

Charles P. Kindleberger and Peter H. Lindert, *International Economics*, 1982, ch. 15.

Week 11: Non-tariff Trade Barriers. Text: Chapter 9.

James Levinsohn, "Carwars", chapter 1 in R.C. Feenstra, (ed.), *The Effects of US Trade Protection and Promotion Policies*, 1997.

Week 12: Economic Integration Text: Chapter 10.

Week 13: Trade and Development Text: Chapter 11

Week 14: Trade and International Resource Movement Text: Chapter 12