This course is fairly neatly divided into halves: beginning with a survey of the historical importance of trade, the following five weeks will be devoted to developing trade theory, starting with the basic “Ricardian” model of comparative advantage, then moving on to the more sophisticated “Heckscher-Ohlin” model, which has evolved into the modern standard theory of international trade. This latter will involve the derivation of several key theorems concerning patterns of trade, effects on income distribution, and growth. In addition, we include a more detailed analysis of “trade policy”, meaning tariffs, quotas and other barriers to trade; and, importantly, a number of arguments in favor of protection. After a midterm exam on this material, we will move on to the modern history of the world trade system, looking at its evolution and major issues which have arisen in the last half-century, including some current unresolved problems and prospects for future trade and development. This will be followed by a final exam on the material of the second half.

The textbook that we will be using for this course is Carbaugh (RJC), International Economics (Cengage, 15e) although any reasonably recent textbook on the same subject will normally cover the same topics; and in fact several of these other textbooks will be on 48-hour reserve at the PSU Library. Reading references in the following syllabus refer to the RJC book.

Week (Mon,Wed) topic(s)
1 (3/30,4/1) Introduction; early history and importance of global trade
2 (4/6,8) The basic Ricardian model (Chs 1,2)
3 (4/13,15) The H-O (“standard”) model (Ch 3)
4 (4/20,22) Trade theorems; tariffs and NTBs (Chs 4,5)
5 (4/27,29) Arguments for protection
6 (5/4,6) “(cont’d); Review and handout of MIDTERM EXAM (take-home: 50%)
7 (5/11,13) NO CLASS on Mon, May 11; midterm due Wed, May 13. The global trade system: the nature and purpose of the GATT (Ch 6)
8 (5/18,20) Evolution of the GATT and the WTO: growth and stagnation (Ch 8)
9 (5/25,27) Trade and economic development: major issues (Ch 7)
10 (6/1,3) The EU; regional trade associations; future global prospects (Ch 9)
11 (6/8-12) FINAL EXAM (50%; tba)

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