

Bogazici University
Department of Economics

EC 361 : International Economics
Fall 2017

Lecture

EC 361.01: Tuesday 1-2 NB 119 / Thursday 1 M 1100

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Course Webpage: www.econ.boun.edu.tr/courses

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COURSE OVERVIEW

This is the first of two core classes in international economics. The subject matter of international economics can be divided into two broad subfields: international trade and international finance. International trade analysis focuses primarily on the real transactional economy, that is, on those transactions that involve a physical movement of goods or a tangible commitment of economic resources. Our focus is on international trade and this course introduces students to the main concepts and methods of international trade and illustrates them with applications drawn from the real world. We will address a wide range of issues, including comparative advantage, the patterns of trade, gains from trade, protectionism, and effects of trade on income distributions. Students should note that the study of international trade heavily relies on the tools of microeconomic theory.

COURSE READINGS

Krugman, Paul, Obstfeld, Maurice, Melitz, Marc 2012. *International Economics: Theory and Policy*. 9. Edition. Addison and Wesley. Further readings will be given throughout the course.

COURSE REQUIREMENTS

The course work consists of some suggested problem sets, a midterm exam and a final exam. The assignments will be posted on the class webpage. The midterm exam will count for 50% of the final grade, and the final exam will be worth the remaining 50% of the final grade. There will be only one make-up exam after the final exam which will be cumulative. It is highly recommended that you attend problem sessions.

Course Outline

The following is a list with the topics that will be discussed throughout the course.

INTERNATIONAL TRADE THEORY I:

Readings: Chapter 1-3

- Gains from Trade, the Pattern of Trade, and Protectionism
- Labor Productivity and Comparative Advantage
- The Ricardian Model: Trade between One-Factor Economies
- Misconceptions about Comparative Advantage The Specific Factors Model: Trade between Two-Factor Economies International Trade and Income Distribution

INTERNATIONAL TRADE THEORY II:

Readings: Chapter 4-6

- Resources, Factor Endowments, and North-South Trade
- The Heckscher-Ohlin Model: Trade between Two-Factor Economies
- Production Possibility Frontier and Terms of Trade
- The Standard Trade Model: Relative Supply (RS) and Relative Demand (RD)
- Economies of Scale and Imperfect Competition Internal Economies and External Economies
- The New Trade Theory: Explaining North-North Trade

INTERNATIONAL TRADE POLICY:

Readings: Chapter 7-11

- International Factor Movements
- The Instruments of Trade Policy: Tariffs and Quotas
- Costs and Benefits of Tariffs
- The Case for Free Trade: Efficiency Arguments
- The Case against Free Trade: National Welfare Arguments
- Trade Policy in Developing Countries: Effects on Economic Growth and Development
- Controversies in Trade Policy: Externalities and Low-Wage Labor