

**ECO-13101-002 Economía Internacional I**  
**Fall 2015** ◇ **Miércoles 17:00-20.00 PM** ◇ **Room: 204 de S.T.**

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**Professor:** Tiago Tavares

- Office hours: Friday 10.00-12.00 (or by appointment) in Santa Teresa
- Email: [tgstavares@gmail.com](mailto:tgstavares@gmail.com)

**Course Webpage:** The course webpage is <http://www.tgstavares.com>). Announcements, homework assignments, and course materials will be posted online. If you cannot access the site or the materials, please let me know.

**Course Description:** This course will cover the basic theory that explains international transactions, that is, flows of goods and services or flows of factors of production (migration, foreign direct investment) across countries. Typical questions answered studied include: why nations trade, which (if any) agents gain from trade, what they trade, which of those are likely to trade. Additionally, topics related with the will be explored. Important concepts such as gains from trade, absolute and comparative advances, factor proportions, increasing returns to scale, imperfect competition, gravity equations, outsourcing and multinationals firms will be introduced and critically access by comparing its predictions against data observations.

By the end of this course, students should be equipped with a basic set of tools that allows them to critically engage in current discussions of the world economy such as: the debate on globalization, free trade agreements, protectionist policies, and WTO negotiations.

**Prerequisite:** This course requires some knowledge of introductory microeconomics, macroeconomics, and calculus.

**Textbook:** Lectures for this course will follow loosely the chapters in the textbook *International Economics: Theory and Policy; Krugman, Obstfeld, and Melitz (2012), 9nd edition (KOM2012)*. Any later of previous edition is also admissible. Additional reading materials may be given to you from other sources.

**Assessment:** Course grades will be based on the following (deadline dates of the assignments will be announced later).

- 2 exams: One midterm weighted at 35% of the final grade, and a cumulative final exam weighted at 50%
  - all are closed book and individual
- 5 assignments: each assignment weights 3% to a total of 15% of the final grade

- students are encouraged to form groups of up to 3 elements (only one copy needs to be handed in with the names of all group members)
- Class attendance/participation: These are not subject for assessment but is recommended for your own benefit

**Additional information:** All cover all material through the immediately preceding lecture, unless you are given different instructions.

- If you will be absent from the midterm, you must contact me by e-mail before noon on the date of the exam.
- If you will be absent from the final for a reason that can be anticipated now, you should inform me immediately. If you will be absent for reasons that could not have been anticipated, you must contact me by e-mail before the time of the exam. If you do not take the final, your grade for the course will be an F, independent of how you have performed in the rest of the class. Non-medical excuses will need to be extremely good to warrant any absence being excused.

**Course Roadmap:** The planned course roadmap is shown below. Recommended readings for each lecture will be uploaded into the webpage before the class. During the course of the semester this structure may suffer some mild changes.

**Lecture 1 (August 12)** Introduction; Gains from Trade; Ricardian Model

- ◊KOM2012 - chp 1,3
- ◊Paul Krugman: "What do Undergrads Need to Know about Trade?" American Economic Review
- ◊The Economist: "When did globalization start?", September 23rd 2013
- ◊Krugman, Paul. 1998: "Ricardo's difficult idea: Why intellectuals don't understand comparative advantage"

**Lecture 2 (August 19)** Extensions to Ricardian Model;

- ◊KOM2012 - chp 3
- ◊Daniel Bernhofen and John Brown (2004), "A Direct Test of the Theory of Comparative Advantage: The Case of Japan," Journal of Political Economy 112 (1), p.48-67

**Lecture 3 (August 26)** The specific factors model; Globalization and inequality

- ◊KOM2012 - chp 4
- ◊Paul Krugman: "Does Third World Growth Hurt First World Prosperity?" Harvard Business Review, July-August 1994 (also in Pop Internationalism)

**Lecture 4 (September 2)** Trade and Resources: The Heckscher-Ohlin Model

- ◊KOM2012 - chp 4,5
- ◊Frédéric Bastiat: "Petition of the Candle Makers," Economic Sophisms, 1845
- ◊Paul Krugman: "In Praise of Cheap Labor," Slate, March 1997

**Lecture 5 (September 9)** Midterm Solution; Migration

- ◊KOM2012 - chp 4

◇The Economist: "Migration and Development: The Aid Workers Who really Help," October 2009

**Lecture 6 (September 16)** The Standard Trade Model;

◇KOM2012 - chp 6

◇Alan Deardorff: "Benefits and Costs of Following Comparative Advantage

◇The Economist: "When did globalization start?", September 23rd 2013

**Lecture 7 (September 23)** The Standard Trade Model; Applications to Trade policy - Tariffs

◇KOM2012 - chp 9

◇Gresser, Edward. 2002. "Toughest on the poor: America's flawed tariff system". Foreign Affairs November/December.

**Lecture 8 (September 30)** Increasing Returns

◇KOM Chapter 7

**Lecture 9 (October 7)** Increasing Returns (cont)

◇KOM2012 - chp 8

◇Reason.tv: "Mexicans and Machines: Why It's Time to Lay Off NAFTA"

◇NPR podcast: "Mexico Looks to U.S. to Fuel Economic Recovery", October 2009

**Lecture 10 (October 14)** Midterm;

**Lecture 11 (October 21)** Midterm Solution; Dumping and Antidumping Policies;

◇KOM2012 - chp 8

◇The Economist: "Sweet land of subsidy"

◇The New York Times: "China moves to retaliate against US tire tariff". September 13th 2009.

**Lecture 12 (October 28)** Economics Concepts on Monopolistic Competition

◇Handouts

**Lecture 13 (November 4)** Monopolistic Competition with heterogeneous firms

◇Handouts and KOM2012 - chp 8

◇Paul Krugman's Nobel Prize Lecture

**Lecture 13 (November 11)** Multinational Firms and FDI

◇KOM2012 - chp 8,10

◇The Economist: "Small Island for Sale: Foreign Takeovers in Britain," March 2010

**Lecture 14 (November 18)** Trade and Development

◇KOM2012 - chp 11

◇Jeffrey Frankel and David Romer: "Does Trade Cause Growth?" American Economic Review, June 1999, p.379-399

**Lecture 15 (November 25)** Introduction to International Macroeconomics, Inter-temporal trade and the current account; Current account adjustment and real exchange rates

◇KOM2012 - chp 13,17

◇Blanchard, Olivier, Francesco Giavazzi, and Filipa Sa. "The U.S. Current Account and the Dollar." MIT Department of Economics Working Paper No. 05-02, January 26, 2005.

The Economist: "When did globalization start?", September 23rd 2013

**Lecture 16 (December 2)** Taking Stock - Revisions for the Final