

ITRN 504: Section 003 (Preliminary)

Microeconomics and Trade for International Commerce

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Tuesdays, 7:20-10:00 PM

(This syllabus borrows liberally from Kenneth A. Reinert's Section 001 course).

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[Study Guide](#)

[Glossary \(pdf file\)](#)

Course Description

This course provides an introduction to microeconomics and international trade for the ICP student. In the first part of the course, our main objective is to understand the basic principles of the *market system* underlying local, national, and international economies. Here we will assess both the desirable properties and the limitations of the market system, as well as the potential roles of government. In the second part of the course, our main objective is to understand the forces behind international trade. Here we will assess the main causes of international trade, their effects, the analysis of trade policies, and the institutions of international trade.

Each class will begin with a fifteen minute student led discussion of current economic news as it pertains to the issues learned in the previous class. Students should read the [Economist](#) or a similar magazine or newspaper to prepare for the discussion.

Required Books

Mankiw, H.G., *Principles of Economics*, South-Western Thomson, 2004.

Course pack: Selected chapters from Reinert, K.A., [Windows on the World Economy: An Introduction to International Economics](#), South-Western Thomson, 2005.

Other Useful Books

Hoekman, B.M. and M.M. Kostecki, *The Political Economy of the World Trading System*, Oxford University Press, Oxford, 2001.

Lindblom, C.E., *The Market System*, Yale University Press, New Haven, 2001.

Relevant Websites

[International Centre for Trade and Sustainable Development](#)

[Global Trade Negotiations Home Page](#)

[The World Bank's Trade Group](#)

[Trade and Public Policy Bibliography Suggestions](#)

[World Trade Organization](#)

Course Requirements and Grading

Midterm exam- 20 percent

Final exam- 35 percent

Problem Sets- 20 percent

Class participation- 25 percent

Course Outline and Readings

Week 1 (2 September): Introduction to Class

The Who, Where and What of Economic Decision Making

Microeconomics and the Essential, but Problematic, role of Competition

[Reinert, Chapter 1.](#)

Mankiw, Chapter 1.

Week 2 (9 September): Tools of Analysis

Mankiw, Chapters 2 and 3.

Week 3 (16 September): The Supply and Demand Model

Mankiw, Chapter 4.

Recommended: Lindblom, Chapter 3.

Week 4 (23 September): Elasticities and “Marginal” Thinking

Mankiw, Chapters 5 and 6.

Week 5 (30 September): Allocative Efficiency and Taxes

Mankiw, Chapters 7 and 8.

Recommended: Lindblom, Chapter 12.

Week 6 (6 October): The Theory of the Firm

Mankiw, Chapter 13.

Week 7 (14 October): The Theory of the Firm Continued (This is make-up class from first week. Time and place to be confirmed due to potential conflicts.)

Mankiw, Chapter 14.

Week 8 (21 October): Midterm Examination

See study guide link at top of page.

Week 9 (28 October): Market Failure (Monopoly, Externalities, Public Goods)

Mankiw, Chapters 15, 10, and 11.

The Economist, "Urban Air Pollution: A Great Leap Forward," 11 May 2002, p. 75. On electronic reserve.

Kaul, Grunberg, and Stern, "Defining Global Public Goods," in *Global Public Goods*, Oxford University Press, Oxford, 1999, 2-19. On electronic reserve.

Recommended: Lindblom, Chapter 5.

Week 10 (4 November): Absolute Advantage, Comparative Advantage, and Intra-Industry Trade

[Reinert, Chapters 2, 3, and 4.](#)

For your information only (not required material):

Ruffin, R., "[The Nature and Significance of Intra-industry Trade](#)," *Federal Reserve Bank of Dallas Economic and Financial Review*, Fourth Quarter 1999.

Week 11 (11 November): Trade Politics and Policy

[Reinert, Chapters 5 and 6.](#)

Francois, J.F. and L.M. Baughman,
[Estimated Economic Effects of Proposed Import Relief for Steel](#), Trade Partnership, Washington, DC, 2001.

Week 12 (18 November): The WTO and Regional Trade Agreements

[Reinert, Chapters 7 and 8.](#)

[The Doha Ministerial Declaration.](#)

Recommended: Hoekman and Kostecki, Chapter 1.

Week 13 (25 November): Review of Semester

Week 14 (9 December): Cumulative Final Exam

See study guide link at top of page.

Some Policies

Exams are not "open book" or "open notes."

There is no "extra work" that can be done for "extra credit."

Students are responsible for obtaining notes from other class members if they miss a class.

The GMU honor code will be enforced. To be more specific: If I can show that a student cheated on an exam, that student will fail the course.