

ITRN 504: TRADE AND MICROECONOMICS FOR INTERNATIONAL COMMERCE
George Mason University: The Institute of Public Policy **Spring 2003**

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| 001 | 32583 | T | 7:20 – 10:00 | ARL253 | G. Chris Rodrigo |
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Tel: 703-993-8223 E-mail: crodrigo@gmu.edu Office hours: Mon, Tues & Thur: 6 – 7.15 p.m.

This course aims to provide an introduction to basic microeconomic theory and key concepts in international trade. It explains the economic logic that drives the worldwide expansion of trade in goods and services and foreign direct investment. These topics are necessary to understand how international businesses operate and what drives the processes of ‘globalization’. The main areas to be covered are basic economic concepts, supply and demand analysis, the role of government, economics of business and industry, traditional theories of trade, new trade theory, the regulation of trade and other policy issues. The course will also examine the broader consequences of trade for economic growth and welfare. The political economy issues of why some groups oppose trade liberalization, while others support it, are also introduced.

The final grade will be made up as follows.

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| Review paper or presentation | 10 % |
| Mid-term exam | 40 % |
| Final exam | 40 % |
| Exercises and class participation | 10 % |

A review paper or presentation on a chosen topic will be undertaken by each student. Students are encouraged to do presentations in pairs. The topics for the paper or class presentation will in general be chosen from a list prepared by the instructor, with definite delivery dates. This list will conform closely to the topics and readings listed below. Students who have some special interest or expertise in a topic that is not in the list, but falls within the purview of this course, can work on it provided it is previously negotiated with the instructor. Each student need speak for only 10-15 minutes; an extra 5 minutes will be allowed for discussion.

In-class or take home exercises. Several short exercises will be assigned over the duration of the course, to ensure that the basic concepts are assimilated. Note that though the exercises count for 10% of the final grade, they may be critical in case your performance in other areas is marginal.

All take home work must handed in as hard copies, typed or printed, with a 12 point font and one inch margins. The review paper must not be more than 2 pages, single-spaced or 4 pages if double spaced. If a presentation is made, an outline of the presentation must be submitted as a part of the exercise. All sources must be cited in full. References, notes, diagrams, graphs and appendices can be on additional pages. E-mailed or faxed submissions of take home work will not in general be accepted.

Students are encouraged to contact the instructor either individually or in groups for topics that need clarification or any other issue or problem. Meetings can be during office hours or at other times by appointment.

Course schedule and readings

Readings are taken from the following texts which are available in the Arlington Bookstore. Other sources that supplement the listed readings are the website for the Stiglitz & Walsh book at <http://www.wwnorton.com/StiglitzWalsh/> and the Economist at <http://www.economist.com/>

1. Joseph Stiglitz & Carl Walsh, Principles of Microeconomics, WW Norton 2002 (SW)
2. Mordechai E. Kreinin, International Economics: a Policy Approach, Dryden, 2001 (K)

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| Week 1. | Introduction to trade and economic thinking. | SW 1-3 |
| Week 2. | Supply, demand and consumption. | SW 4-6 |
| Week 3 | Consumption and production. | SW 6,7 |
| Week 4 | Product and factor markets | SW 8, 9 |
| Week 5 | Efficiency of competitive markets | SW 10 |
| Week 6 | Imperfect markets and regulation | SW 11-13 |
| Week 7 | First examination (in-class). | |
| Weel 8 | Imperfect markets and the public sector regulation | SW 14-16 |
| Week 9 | Trade based on absolute and comparative advantage. | K 1-2 |
| Week 10 | Other theories of trade | K 3 |
| Week 11 | Tariff barriers. | K 4 |
| Week 12 | Non-tariff barriers. | K 5 |
| Week 13 | Political economy of trade. | K 6 |
| Week 14 | GATT, WTO and preferential trading areas | K 7 |

Final examination