

International Trade Policy
Undergraduate Level
Tuesday 3:30 - 5:20 PM

Instructor: Professor Tsechien Hsu

Office Hours: M 10:00-11:00 AM and by appointment

Textbook: Paul R. Krugman and Maurice Obstfeld, International Economics: Theory and Policy, Seventh Edition, Addison Wesley, 2006.

Robert C. Feenstra and Alan M. Taylor, International Economics, Worth Publishers 2007.

Helpman and Krugman, "Trade Policy and Market Structure," The MIT Press, 1989

Markusen et. al. "International Trade: Theory and Evidence," McGraw-Hill, 1995.

Prerequisites: Having taken "International Trade Theory", "Principle of Economics" or "Intermediate Microeconomics"

Purpose of the Course:

The course is the second part of international trade theory. In the first part we focused on the positive side of trade theory, namely that, explaining the origin, patterns and welfare implications of trade. In the second part we move forward to the ultimate goal of trade theory, giving welfare ranking of various trade policies under different circumstances. We are going to see that the welfare ranking of the same set of policies is sensitive to the institutions, market structures and the assumptions of the environment of the economy, for instance, with or without distortions.

Course Outline:

1. Review of the General Equilibrium Model
2. Trade Policy under Perfect Competition
 - Welfare Effects of Tariff
 - Distortion and Tariff
 - Monopoly Power and Optimal Tariff
 - Trade War and Trade Talks
 - Welfare Effects of Subsidy
3. Imperfect Competition and Strategic Trade Policy
 - The Case of an Import-Competing Monopolist
 - Optimal Policy against a Foreign Monopolist
 - Oligopoly in Cournot and Bertrand Competition
 - Strategic Trade Policy
4. The Political Economy of Trade Policy
5. Economic Principle of World Trade Organization and GATT: A Short Introduction

Grade Policy: Midterm 40% and Final 60%

Additional Remarks:

Cheating will not be tolerated and may result in severe academic sanctions. Disruptive talking in class will not be tolerated. On the other hand, asking and responding to questions in class is strongly encouraged.