

ECO 4704 International Trade and Policy (in some USFSP materials, this course is numbered ECO 4723)

We'll begin with the models of trade with perfect competition – Ricardian, Heckscher-Ohlin, etc. – and the theorems that derive from them. Next we'll ask what happens to trade theory if we have imperfect competition instead. The key insight is that we can now explain trade that occurs within an industry between countries (i.e., Hondas for Chevys) rather than just between industries and countries (i.e., cars for toothpaste). As you might anticipate, we will have to settle for a number of models that explain small portions of this trade, rather than a single overarching model. This is because the imperfectly competitive world is much more complicated than the perfectly competitive world. We'll also talk some about outsourcing and other issues that present themselves when we have resources, goods, and services that are differentiated.

We will also look at trade policy under situations of perfect and imperfect competition. Imperfect competition affects the gains from trade in ways that give rise to trade policy to reallocate those gains among firms, and between firms and resource owners. Trade policy can also be used to help guide the strategic behavior of firms to reallocate gains from trade among countries. With perfect competition, it is clear that more restrictive trade policies would diminish welfare. With imperfect competition, that is no longer clear. There may be cases in which trade restrictions can be welfare-enhancing. Again, imperfect competition makes the story more complicated. We'll also examine the implications of perfect and imperfect competition for preferential trading arrangements.

After we've spent some time with the trade theory and policy in our models, we'll spend some time with trade theory in practice. The US International Trade Commission, one of my former employers, is the agency of the US government responsible for monitoring imports into the US, and for dealing with issues related to imports, including unfair trade practices. We'll take a virtual tour of the agency via their website and consider their responsibilities, the tariff schedules, and the various investigations they handle. You will work in groups on cases of unfair trade practices and develop presentations based on those cases to share with your classmates. I think you'll find that the practice of trade policy is both an art and a science, and that it draws on law, economics, and politics.

Your grade in the class will be based on exams and this presentation.