

# ITRN 504

## Microeconomics and Trade for International Commerce

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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.

### Required Books

Krugman, P. and R. Wells, *Microeconomics*, Worth, 2005.

To be accessed via [Aplia](#) (see below).

Reinert, K.A., *Windows on the World Economy: An Introduction to International Economics*, South-Western Thomson, 2005.

Note: royalties from this class will be donated to [Doctors without Borders](#).

### Other Useful Books

Goldin, I. and K.A. Reinert, *Globalization for Development*, World Bank, 2007.

Hill, C.W.L., *International Business*, McGraw-Hill, 2007.

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

Kurlansky, M., *Cod*, Penguin, 1998. A scarce (common pool) resource in historical perspective.

Levinson, M., *The Box*, Princeton University Press, 2006. A history of container shipping and its impacts on the world trading system.

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

### **Course Requirements and Grading**

Midterm exam- 30 percent

Final exam- 30 percent

Problem Sets- 25 percent

Class participation- 15 percent

### **Course Outline and Readings**

*Week 1 (27 August): Introduction to Class*

Reinert, Chapter 1, "Windows on the World Economy." Update [here](#).

Aplia graded problem set:

"Introduction to Graded Problem Sets," deadline- 31 August, 11:00 PM

*Week 2 (3 September): Tools of Analysis*

Krugman and Wells, Chapter 1, "First Principles."

Krugman and Wells, Chapter 2, "Economic Models: Tradeoffs and Trade," including Appendix.

Aplia graded problem sets:

"Chapter 1- Problem Set II," deadline- 7 September, 11:00 PM

"Chapter 2- Problem Set II," deadline- 7 September, 11:00 PM

*Week 3 (10 September): The Supply and Demand Model*

Krugman and Wells, Chapter 3, "Supply and Demand."

Krugman and Wells, Chapter 4, "The Market Strikes Back."

*The Economist*, "Excellence in a Cup," 27 January 2007.

Aplia graded problem sets:

"Chapter 3- Problem Set II," deadline- 14 September, 11:00 PM

"Chapter 4- Problem Set II," deadline- 14 September, 11:00 PM

Recommended: Lindblom, Chapter 3, "Market-System Coordination."

*Week 4 (17 September): Elasticities*

Krugman and Wells, Chapter 5, "Elasticity."

*The Economist*, "Pricing Strategies: The Price is Wrong," 23 May 2002.

Aplia graded problem set:

"Chapter 5- Problem Set II," deadline- 21 September, 11:00 PM

*Week 5 (19 February): Allocative Efficiency and Taxes*

Krugman and Wells, Chapter 6, "Consumer and Producer Surplus."

Recommended: Lindblom, Chapter 12, "Too Little, Too Late."

Aplia graded problem set:

"Chapter 6- Problem Set II," deadline- 24 February, 11:00 PM

*Week 6 (24 September): The Theory of the Firm*

Krugman and Wells, Chapter 7, "Making Decisions."

Krugman and Wells, Chapter 8, "Behind the Supply Curve."

Aplia graded problem sets:

"Chapter 7- Problem Set II," deadline- 28 September, 11:00 PM

"Chapter 8- Problem Set II," deadline- 28 September, 11:00 PM

*Week 7 (1 October): The Theory of the Firm Continued*

Krugman and Wells, Chapter 9, "Perfect Competition and the Supply Curve."

Aplia graded problem sets:

"Chapter 9- Problem Set II," deadline- 5 October, 11:00 PM

*Week 8 (8 October): No Class, Study for Midterm Examination*

*Week 9 (15 October): Midterm Examination*

See study guide link at top of page.

*Week 10 (22 October): Market Failure (Monopoly, Externalities, Public Goods)*

Krugman and Wells, Chapter 14, "Monopoly."

Krugman and Wells, Chapter 19, "Externalities."

Krugman and Wells, Chapter 20, "Public Goods and Common Resources."

*The Economist*, "Climate Change: Welcome to Kyoto-Land," 9 October 2004, 57-59.

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, "Enterprise and Corporation."

Aplia graded problem sets:

"Chapter 14- Problem Set II," deadline- 26 October, 11:00 PM

"Chapter 19- Problem Set II," deadline- 26 October, 11:00 PM

*Week 11 (29 October): International Trade*

Reinert, Chapter 2, "Absolute Advantage."

Reinert, Chapter 3, "Comparative Advantage."

Reinert, Chapter 4, "Intra-Industry Trade."

Maneschi, A. "Comparative Advantage," in K.A. Reinert, R.S. Rajan, A.J. Glass, and L.S. Davis (eds.), *Princeton Encyclopedia of the World Economy*, Princeton University Press, 2009. To be distributed.

Recommended: Goldin and Reinert, Chapter 3, "International Trade."

*Week 12 (5 November): Trade Politics and Policy*

Reinert, Chapter 5, "The Politics of Trade."

Reinert, Chapter 6, "Trade Policy Analysis."

*The Economist*, "Smaller Share, Bigger Slices," 4 April 2007.

*Week 13 (12 November): The WTO and Regional Trade Agreements*

Reinert, Chapter 7, "The World Trade Organization." Update [here](#).

Reinert, Chapter 8, "Regional Trade Agreements." Update [here](#).

Reinert, "Interview with Arvind Panagariya."

[The Doha Ministerial Declaration.](#)

Recommended: Hoekman and Kostecki, Chapter 1, Reinert, K.A. "The European Union, the Doha Round, and Asia," *Asia Europe Journal*, 5:3, 2007, available through e-journals.

*Week 14 (19 November): International Production*

Reinert, Chapter 9, "Foreign Market Entry and International Production."

Reinert, Chapter 10, "Foreign Direct Investment and Intra-Firm Trade."

Recommended: I. Goldin and K.A. Reinert,  
["Global Capital Flows and Development: A Survey,"](#) *Journal of International Trade and Economic Development*, 14:4, 2005.

*Week 15 (26 November): Thanksgiving Break*

*Week 16 (3 December): Review of Semester*

*Week 17 (10 December): Cumulative Final Exam*

See study guide link at top of page.

## **Aplia**

Your access to the Krugman and Wells textbook, along with problem sets, will be via [Aplia](#).

The Aplia site requires a separate registration process. Here are the steps:

1. Connect to <http://econ.aplia.com>.
2. Complete the configuration test and make adjustments to your configuration if necessary.
3. Return to the "Sign In" page and click "Register here."
4. You will be prompted to enter your e-mail address and select a password.
5. You will then be prompted to enter your course key: 6NFX-9YYN-BFNL
6. You only need to register once.

## **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.

It is my policy not to discriminate among students based on race, ethnicity, religious faith, national origin, gender, sexual orientation, or physical ability.