ITRN 504 Micro Trade

ITRN 504: Microeconomics and Trade Policy

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Study Guide

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.

Learning Outcomes

Knowledge and Understanding

Students will understand the basic concepts and terms of microeconomics as they apply to policy analysis.
Students will understand the causes of international trade and the political economy of trade.

Analytical Skills and Abilities

Students will be able to use the supply and demand model for policy analysis, including trade policy analysis, and to calculate elasticities.

Professional Development

Students will be conversant with the basic terms of economic trade policy analysis as used in the profession.

Required Books


**Course Requirements and Grading**

- Midterm exam - 30 percent
- Cumulative final exam - 30 percent
- Problem sets - 25 percent
- Class participation - 15 percent

**Course Outline and Readings**

*Week 1 (August 28): Introduction to Class*

**PowerPoint Presentation**

Reinert, Chapter 1, “Windows on the World Economy.”

Recommended: Update to Reinert, Chapter 1, “Introduction.”


*Week 2 (September 4): Tools of Analysis***

Krugman and Wells, Chapter 1, “First Principles.”


*Week 3 (September 11): The Supply and Demand Model***

Krugman and Wells, Chapter 3, “Supply and Demand.”

Krugman and Wells, Chapter 5, “Price Controls and Quotas.”


**Supply and Demand Handout**


*Week 4 (September 18): Elasticities***

Krugman and Wells, Chapter 6, “Elasticity.”

**Elasticities Handout**

*Week 5 (September 25): Allocative Efficiency and Taxes***

Krugman and Wells, Chapter 4, “Consumer and Producer Surplus.”
Krugman and Wells, Chapter 7, “Taxes.”


Recommended: Lindblom, Chapter 12, “Too Little, Too Late.”

**Week 6 (October 2): The Theory of the Firm**

Krugman and Wells, Chapter 9, “Making Decisions.”

Krugman and Wells, Chapter 11, “Behind the Supply Curve.”


**Week 7 (October 9): No Class**

**Week 8 (October 16): The Theory of the Firm Continued**

Krugman and Wells, Chapter 12, “Perfect Competition and the Supply Curve.”


**Week 9 (October 23): Midterm Exam**

See study guide link at top of page.

**Week 10 (October 30): Market Failure (Monopoly, Externalities, Public Goods)**

Krugman and Wells, Chapter 13, “Monopoly.”

Krugman and Wells, Chapter 17, “Externalities.”

Krugman and Wells, Chapter 18, “Public Goods and Common Resources.”

Recommended: Lindblom, Chapter 5, “Enterprise and Corporation.”


**Week 11 (November 6): International Trade**

Reinert, Chapter 2, “Absolute Advantage.”

Reinert, Chapter 3, “Comparative Advantage.”

Reinert, Chapter 4, “Intra-Industry Trade.”

Recommended: Update to Reinert, Chapter 4, “Intra-Industry Trade.”
Week 12 (November 13): Political Economy of Trade and Trade Policy
Reinert, Chapter 5, “The Political Economy of Trade.”
Reinert, Chapter 6, “Trade Policy Analysis.”
Recommended: Update to Reinert, Chapter 6, “Trade Policy Analysis.”

Week 13 (November 20): The WTO and Preferential Trade Agreements
Reinert, Chapter 7, “The World Trade Organization.”
Reinert, Chapter 8, “Preferential Trade Agreements.”

Week 14 (November 27): No Class, Thanksgiving Break

Week 15 (December 4): International Production / Review of Semester
Reinert, Chapter 9, “Foreign Market Entry and International Production.”
Reinert, Chapter 10, “Foreign Direct Investment and Intra-Firm Trade.”
Reinert, Chapter 11, “Managing International Production.”

Week 16 (December 11): Cumulative Final Exam
See study guide link at top of page.

Other Useful Books


**Some Policies**

No texting in class unless in an emergency.

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 personal policy not to discriminate among students based on race, ethnicity, religious faith, national origin, gender, sexual orientation, physical ability, or citizenship status.

**Academic Accommodation for a Disability**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at 703-993-2474. All academic accommodations must be arranged through the DRC.