

# INTERNATIONAL BUSINESS ECONOMICS AND LAW

LAW 249 – 001  
FALL 2007

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## COURSE OVERVIEW

This is primarily a course in the theory of international economics. We will also examine some policy issues, and discuss some law in the area. The purpose of this course is to provide some understanding of the economic principles of international trade and the policy issues faced by the actors - firms, labor, and nations - in the area.

This course will be taught to some extent as a lecture. Nonetheless, you are expected to read all assigned material carefully before each class and participate in class discussions. Materials in addition to the assigned text book will be covered, as listed below.

### **Schedule**

The class meets on Wednesday, from 2:00 p.m. to 3:50 p.m. in Room 412.

Office hours are Wednesday, 4:30 p.m. to 5:30 p.m. on Wednesday and Thursday, and by appointment.

### **Assessment**

The class grade will be based on a two hour final examination. The final exam, of two hours duration, is scheduled for December 14 at 6:00 p.m. The only material that you may consult during the final examination is an outline that is personally prepared.

### **Textbook and Assigned Readings**

Krugman, Paul and Maurice Obstfeld, INTERNATIONAL ECONOMICS: THEORY AND POLICY (7<sup>th</sup> Ed.) (2006) (hereinafter CB).

The following three readings will be provided in class:

Lloyd R. Cohen, *Deregulation at the U.S. International Trade Commission*, in REGULATION AND THE REAGAN ERA, Roger E. Meiners and Bruce Yandle, eds, The Independent Institute (1989).

Lloyd R. Cohen, '*Chicken Little*' and the Myth of International Trade, 1988 THE WORLD AND I 685 (October).

William R. Hawkins, Letter to the Editor, THE WORLD AND I, 28 October 1988.

The following materials are available on the Web:

Paul Krugman, *New Theories of Trade Among Industrial Countries*, 73 AM. ECON. REV. 343 (1983). Stable URL:  
<http://links.jstor.org/sici?sici=0002-282%28198305%2973%3A2%3C343%3ANTOTAI%3E2.0.CO%3B2-Q>

Gary Clyde Hufbauer and Ben Goodrich, *More pain, more gain: politics and economics of eliminating tariffs*, International Economics Policy Briefs, Number PB03-8, Institute for International Economics (June 2003). <http://www.iie.com/publications/pb/pb03-8.pdf>

Dustin Smith, *The truth about industrial country tariffs*, 39 FINANCE & DEVELOPMENT International Monetary Fund (September 2002).

Mark A. Groombridge, *America's bittersweet sugar policy*, Trade Briefing Paper Number 13, Cato Institute (December 2001). <http://www.freetrade.org/node/70>

Tim Josling and Dale Hathaway, *This Far and No Farther? Nudging Agricultural Reform Forward*, International Economics Policy Briefs, Number PB04-1, Institute for International Economics (March 2004). <http://www.iie.com/publications/pb/pb04-1.pdf>

Antoine Bouet, Simon Mevel and David Orden, *More or less ambition? Modeling the development impact of U.S.-E.U. Agricultural Proposals in the Doha Round*, International Food Policy Research Institute.  
<http://www.ifpri.org/pubs/ib/wto/ordenetalwto.pdf>

Gary Clyde Hufbauer and Jeffery J. Schott, *The Doha Round after Hong Kong*, Policy Briefs in International Economics, Number PB06-2, Institute for International Economics (February 2006). <http://www.iie.com/publications/interstitial.cfm?ResearchID=600>

Wendy L. Hansen and Thomas J. Prusa, *Does administrative protection protect? A reexamination of the U.S. Title VII and Escape Clause Statutes*, 16 REGULATION \_, Cato Institute (1993). <http://www.cato.org/pubs/regulation/reg16n1c.html>

Kimberley Ann Elliott, *Labor standards and the free trade are of the Americas*, Working

Paper 03-7, Institute for International Economics. August 2003.  
<http://www.iie.com/publications/wp/03-7.pdf>

Additional materials may be assigned.

## Tentative Class Schedule, Topics, and Readings:

- Week 1: Overview and introduction to international economics. The theory of comparative advantage.  
CB Chs. 1-3.
- Week 2: The Heckscher-Ohlin model of international trade. International trade and income distribution.  
CB Ch. 4.
- Week 3: The Standard trade model. International effects of economic growth.  
CB Ch. 5.
- Week 4: Economies of scale, imperfect competition and international trade – the “new” trade theories.  
CB. Ch. 6.
- Week 5: Some “new trade” theories, continued. International movement of factors of production.  
Paul Krugman, *New Theories of Trade Among Industrial Countries*, 73 AM. ECON. REV. 343 (1983).  
CB Ch. 7.
- Week 6: Instruments of trade policy: tariffs, subsidies and non-tariff barriers.  
CB Ch. 8.
- Week 7: Political economy of trade policy: general overview, including the historical evolution of GATT and the WTO.  
CB Ch. 9.  
Handout on Prisoner’s Dilemma.
- Week 8: Political economy of trade policy: agricultural and other tariffs in developed countries.  
Gary Clyde Hufbauer and Ben Goodrich, *More pain, more gain: politics and economics of eliminating tariffs*, International Economics Policy Briefs, Number PB03-8, Institute for International Economics (June 2003).  
Dustin Smith, *The truth about industrial country tariffs*, 39 FINANCE & DEVELOPMENT \_ , International Monetary Fund, (September 2002).  
Mark A. Groombridge, *America’s bittersweet sugar policy*, Trade Briefing Paper Number 13, Cato Institute (December 2001).
- Week 9: Trade policy in developing countries. A brief discussion of the Doha Round.  
CB Ch. 10.

Tim Josling and Dale Hathaway, *This Far and No Farther? Nudging Agricultural Reform Forward*, International Economics Policy Briefs, Number PB04-1, Institute for International Economics (March 2004).  
 Antoine Bouet, Simon Mevel and David Orden, *More or less ambition? Modeling the development impact of U.S.-E.U. Agricultural Proposals in the Doha Round*, International Food Policy Research Institute.  
 Gary Clyde Hufbauer and Jeffery J. Schott, *The Doha Round after Hong Kong*, Policy Briefs in International Economics, Number PB06-2, Institute for International Economics (February 2006).

- Week 10: U.S. trade laws, and the International Trade Commission.  
 Lloyd R. Cohen, *Deregulation at the U.S. International Trade Commission*, in *REGULATION AND THE REAGAN ERA*, Roger E. Meiners and Bruce Yandle, eds, The Independent Institute (1989).  
 Wendy L. Hansen and Thomas J. Prusa, *Does administrative protection protect? A reexamination of the U.S. Title VII and Escape Clause Statutes*, 16 *REGULATION* \_, Cato Institute (1993).
- Week 11: Controversies in trade policy, including arguments for activist trade policies.  
 CB Ch. 11.  
 Lloyd R. Cohen, 'Chicken Little' and the Myth of International Trade, 1988 *THE WORLD AND I* 685 (October).  
 William R. Hawkins, Letter to the Editor, *THE WORLD AND I*, 28 October 1988.  
 Optional:  
 Kimberley Ann Elliott, *Labor standards and the free trade are of the Americas*, Working Paper 03-7, Institute for International Economics. August 2003.
- Week12: Open economic macroeconomic theory. Accounting definitions in the balance of payments.  
 CB Ch. 12.
- Week 13: An asset approach to the foreign exchange market.  
 CB Ch. 13.
- Week 14: Monetary and exchange rate policy.  
 CB Chs. 14 and 15.
- Week 15: Performance of the global capital market.  
 CB Ch. 21.