



## Open Economy Macroeconomics and International Agricultural Trade

**Summer Semester 2008**

**Lecture Hall 3, PH 13, House 12**

**Mondays 2 - 6 p.m.**

### Course Outline

#### 1. Introduction

#### 2. International Trade Theory

##### 2.1. Neoclassical Trade Theory

- 2.1.1. The Standard Neoclassical Trade Model and the Gains from Trade
- 2.1.2. Ricardo's Model of Comparative Advantage and International Trade
- 2.1.3. Trade when Consumer Preferences Differ
- 2.1.4. Trade with Differences in Technology
- 2.1.5. Trade with Differences in Factor Endowments: A Heckscher-Ohlin-Model
- 2.1.6. Terms of Trade and the Gains from Trade
- 2.1.7. Summary

##### 2.2. New Trade Theory

- 2.2.1. Economies of Scale
- 2.2.2. Industry-Specific Production Factors
  - Case Study: The Agricultural Treadmill and Heterogeneous Labor
  - Case Study: Human Capital and International Trade: The Leontief Paradox
- 2.2.3. Intra-Industry Trade
- 2.2.4. International Trade and the Environment
- 2.2.5. International Movements of Production Factors
  - International Labor Migration
  - International Borrowing and Lending
  - Foreign Direct Investment
- 2.2.6. The Integrated World Economy of Paul Samuelson
- 2.2.7. Vertical Integration of Production and the Value Chain

## **2.3. Monetary Trade Theory**

### 2.3.1. Macroeconomic Accounting in Open Economies

Macroeconomic Accounting Principles

Case Study: The Development of the Current Account and Foreign Wealth in the US, Japan and Germany

### 2.3.2. The Foreign Exchange Market

The Role of the Exchange Rate in International Trade

Agents Engaged in the Foreign Exchange Market

Equilibrium on the Foreign Exchange Market

### 2.3.3. The Money Market

### 2.3.4. Simultaneous Equilibrium on the Money Market and the Foreign Exchange Market

### 2.3.5. Money, Inflation, and the Exchange Rate

### 2.3.6. Inflation and the Exchange Rate in the Long-run

### 2.3.7. Case Study: The US Farm Crisis of the 1980s

## **3. International Trade Policy**

### **3.1. Linking Domestic Markets through the World Market**

### **3.2. Trade and Social Welfare**

### **3.3. Instruments of Trade Policy**

#### 3.3.1. Import Tariff

Tariff Types

Trade Effects of an Import Tariff

Social Welfare Effects of an Import Tariff

#### 3.3.2. Variable Import Levy

#### 3.3.3. Export Subsidy

Trade Effects of an Export Subsidy

Social Welfare Effects of an Export Subsidy

#### 3.3.4. Export Tax

Trade Effects of an Export Tax

Social Welfare Effects of an Export Tax

#### 3.3.5. Import Quota

Trade Effects of a Quota

Social Welfare Effects of a Quota

#### 3.3.6. Voluntary Export Restraint

#### 3.3.7. Quality Standards

#### 3.3.8. Trade Embargoes

#### 3.3.9. Other Instruments

Domestic Production Quota

Deficiency Payment

#### 3.3.10. Case Studies

The Evolution of the Common Agricultural Policy of the European Union

The Evolution of the US Agricultural and Trade Policy

Agricultural and Trade Policy in Industrialized Countries: Implications for Developing Countries

### **3.4. International Coordination of National Trade Policies: WTO**

- 3.4.1. Scope and Organization of the WTO
- 3.4.2. WTO and International Trade Policy Rules
- 3.4.3. The Uruguay Round Agreement on Agriculture
- 3.4.4. The Doha Round

### **3.5. Regional Economic Integration**

- 3.5.1. Customs Union Theory
- 3.5.2. Case Study: The Formation of the European Union
- 3.5.3. Case Study: The Formation of NAFTA and FTAA

## **4. Political Economy of Agricultural Trade Policy**

### **4.1. Introduction**

### **4.2. A Model of Rent-Seeking Special Interest Groups**

### **4.3. Models of Utility Maximizing Policy Makers**

### **4.4. Case Studies**

- 4.4.1. The Political Economy of Agricultural Trade Protection in Economic Development
- 4.4.2. Determinants of the US Producer Prices in Wheat and Corn
- 4.4.3. International Interdependence: The Need for International Trade Agreements
- 4.4.4. International Macroeconomic, Monetary and Agricultural Trade Policy Interdependence: The United States and the European Union

### **Text**

Harald von Witzke, The Open Economy: International Trade Theory and Policy - A Multimedia MSc Level Learning Tool. Berlin: MHSg, 2003 (available on-line through [www.mhsg.de](http://www.mhsg.de)).

### **Exam**

written exam