ECON 550 Applied Trade Policy Analysis
Units: 4
Time: Monday, Tuesday and Wednesday 4pm – 5:50pm

IMPORTANT:
3 lectures of 1 hour and 50 mins per week

Location: Zoom meetings and course-related URLs, etc.

Instructor: Terrie L. Walmsley
Office: KAP 318B (I will be working from home)
Office Hours: I will be available online after classes and by appointment
Contact Info: Email: twalmsle@usc.edu

Course Description
As national economies have become more integrated through increased trade and investment flows, the use of trade as a means of securing economic development and prosperity has become more controversial. Concerns about employment, income inequality and the environment have increased the importance of undertaking good applied economic analysis of trade policies. The purpose of this course is to introduce students to the quantitative economic methods used to analyze trade policy issues by governments and international organizations worldwide, and in particular applied computable general equilibrium models. Computable general equilibrium models are widely used for ex-ante analysis of potential trade policies; while econometric gravity models are used to examine the impact of trade policies on an economy after they have been introduced and sufficient time has passed for empirical analysis. Students will study how computable general equilibrium models have been used to examine current trade policy issues, broadening their understanding of the methods, trade theory and of current trade policy issues.

The course begins with the data. Trade data and input-output tables are introduced and used to examine trade patterns and review the theory behind why countries trade. Students will learn how to use a simplified version of a global applied general equilibrium model to examine the impact of trade policies, such as the potential impact of the Trans-Pacific Partnership (TPP) and of the US raising tariffs on Chinese goods, on production, consumption, employment, wages and welfare, among other things. The course will then examine issues related supply chains, non-tariff measures, investment, firm heterogeneity, economic growth and income inequality. Some of the studies examined introduce dynamics, imperfect competition, foreign investment, supply chains, emissions and household survey data into these models, giving students an idea of how these models are being adapted to better address global issues.

Prerequisite(s): Undergraduate level microeconomics (ECON 303) is required.
Co-Requisite(s): ECON 500 Microeconomics
Course notes: Classes will take the form of lectures, discussion and hands-on modeling exercises. Students will be required to manipulate data in excel, as well as run models using specialized modeling software. Students will be provided with various types of models and data via links through blackboard.
Since this syllabus is prepared in advance of the semester, please note that circumstances may arise requiring some adjustment in the syllabus during the semester, especially in the supplementary reading assignments.

**Technological Proficiency and Hardware/Software Required:** Students will be required to use several different software packages. Freely available, specialised software can be loaded onto your own computers (unfortunately no MAC compatible versions of this software are available) or accessed via the USC cloud services. STATA is also recommended for some of the exercises.

**Learning Objectives and Outcomes**
Throughout the course, students will be introduced to and exposed to various quantitative methods and data sources for applied trade policy analysis. By the end of the course students are expected to:

- be able to explain the various new and traditional theories of international trade;
- be able to use data to describe a country’s trading relations and show how those trading relations relate to the traditional theories of trade;
- be able to compare and contrast the quantitative methods used in applied policy analysis, as well as decide and justify which applied method would be best suited to examine an issue;
- be able to apply a global computable general equilibrium models to examine the impact of a trade policy and analyze the results;
- be able to discuss the economic implications of several current issues in trade policy and relate them to the theories and models learned;
- be able to think critically about the assumptions, methods and policy recommendations of current research, in order to justify decisions or identify areas for possible improvement;
- have practiced presenting.

**Prerequisite(s):** Undergraduate level microeconomics (ECON 303) is required. Experience with excel is also required. Experience with STATA is likely to be helpful. The course is mathematical and relies on a good understanding of microeconomics.

**Co-Requisite(s):** ECON 500 Microeconomics

**Course Notes**
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**Technological Proficiency and Hardware/Software Required**
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**Required Readings and Supplementary Materials**

**Core reading material:**
Background reading material:

For those students who have not done an international trade course before (and even for those who have), it would be helpful to have access to an undergraduate trade theory book to provide useful background reading and intuition to the theories underlying the methods and theories being taught. Two appropriate undergraduate level books are:


Note that you do NOT need both books, they cover similar material and I will give the relevant chapters in both. Past students have noted a preference for Feenstra and Taylor, as my explanations are probably more similar to those provided in that book.

Supplementary reading material

Items may be added to this list based on students interests. You will be guided as to what articles are helpful and what articles might be for those interested in delving further into the material.

Gravity modeling:

Two user guides on gravity models that contain STATA files.


Other supplementary materials:


Francois, J., and B. McDonald, 1996, "Liberalization and Capital Accumulation in the GTAP Model" GTAP Technical paper No. 7, Center for global Trade analysis, Purdue University: West Lafayette IN.


Environmental Change”. GTAP Technical Paper No. 31, Center for Global Trade Analysis, Purdue University: West Lafayette IN (IDB - TN - 870).


McDonald, S., and T. L. Walmsley, 2008, “Bilateral Free Trade Agreements and Customs Unions: The Impact of the EU South Africa Free Trade Agreement on Botswana”, World Economy, 31(8), 993-1028


Pearson, K., M. Horridge, and E. Corong, 2018, "Hands-on Computing with RunGTAP and WinGEM To Introduce GTAP and GEMPACK", Centre of Policy Studies, Victoria University
https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=1638


Description and Assessment of Assignments

Students will be assessed through:

- **Preliminary tasks**: Two tasks worth 5 points each are needed to prepare you for your research project.

- **Two homework assignments**: In the first assignment, you will look at the trade data of your country/ies of interest (15 marks); and in the second, you will outline your proposed experiments and closure (15).

- **Presentation**: students will be required to present their research papers in the last two lectures of classes.

- **Research paper**: students will be asked to develop and undertake a policy experiment using a global applied general equilibrium model, and analyze and write up the results.
**Grading Breakdown**

<table>
<thead>
<tr>
<th>Assessment</th>
<th>% of Grade</th>
<th>Dates</th>
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<tbody>
<tr>
<td>Preliminary tasks for Research Project (2 tasks @ 5 each)</td>
<td>10</td>
<td>#1 May 31, #2 June 14</td>
</tr>
<tr>
<td>Homework assignments (2 @ 15 marks)</td>
<td>30</td>
<td>#1 June 12, #2 June 20</td>
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<tr>
<td>Presentation of Research Paper</td>
<td>20</td>
<td>July 12-13</td>
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<tr>
<td>Research Paper</td>
<td>30</td>
<td>July 13</td>
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<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
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**Grading Scale:** Grading in this course is generally A to C minus, although students that miss classes or assessments could receive a lower grade. To receive an A, students are expected to demonstrate all of the course objectives to a high level.

**Assignment Submission Policy:** Assignments are to be submitted via blackboard by the due date. Students will be required to submit written documents, excel files with workings, and other program applications. Written documents should be submitted in microsoft word or pdf.

**Grading Timeline:** Assignments will be graded and feedback given within 2 weeks of submission.

**Additional Class Policies**

**Lectures**
- All cameras should be turned on during class discussions/exercises.
- Attendance is highly recommended as the course will be highly practical and there are no text books that cover all of the material covered in the course.
- Lectures will be recorded. In some cases the class lecture has been put on video so that students can watch it multiple times. It is expected that you view these videos before class.
- Links to additional short videos primarily from the Council on Foreign Relations World 101 course are meant to provide students with a little more background on a topic. These are generally short and non-technical.
- Lecture activities include materials that will be discussed in practical classes.
- Supplementary reading materials and optional activities are for those interested in learning more about particular topics.

**In class discussions**
It is worth remembering that your classmates are likely to be from many different countries and may have very different views on historical events and policy. It is expected that when discussing issues that:
- You will be respectful of your classmates and their right to have an opinion.
- You will not be disruptive - you will avoid interrupting your classmates, instead wait until they have finished before adding your comment or providing your alternate view.
- All comments should be academic in nature. This means that your points should be factual, based on reasonable sources (we can debate what is a reasonable source).
- Having said that, even reasonable sources are likely to have biases and make generalizations about themselves and other countries, so we need to remember that our views have been shaped by the countries we live in and we should try to avoid generalizations.

- For this reason you should be open to listening and learning from your classmates - we can all learn a lot from listening to others’ experiences and how they view the world.

- Should I say something that you find concerning, please do let me know in class or by email.

**Communication**

- If an issue or question is urgent, please email me. I may not look at the discussion board every day, especially if people are not using it to ask questions. If the question is important, I will include it on the discussion board.

**Research Projects**

- Research projects and some other related activities (e.g., presentation, task 2 and assignment 2) will be done with a partner. If at any stage you are concerned that the distribution of work is unfair you should speak first with your research project partner. If the problem remains, please let me know. You will be asked at the end of the project to indicate what share of the work you think you and your partner did.

- Every student or group is required to meet with the instructor during the first couple of weeks to discuss a potential topic for their research project and their presentation.

- In writing the research report, students should be careful to attribute to others the data, ideas, etc. taken from them by providing detailed references so as to avoid any suspicion of plagiarism and make it easy for anyone reading the paper to quickly locate the reference. In so far as possible, data should be obtained from standard international or standard sources, including online and electronic sources not from blogs etc.

**Assessment**

- Please let me know ASAP if you have a letter from DSP or suspect you may have issues with any assessment piece or attendance. I will be more understanding if you notified me early of the possibility of an issue (and if the issue does not eventuate, you have still gained my appreciation).

- Students assignments will be penalized at the rate of 1 percent per day late, unless justified for emergency health reason. Students should notify the professor prior to the due date of any issues or as soon as is practically possible in the case of emergencies. Some flexibility can be given on assignments if you are unable to meet a deadline, provided you have notified me and it does not happen on multiple occasions.

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**Course Schedule: A Weekly Breakdown**

<table>
<thead>
<tr>
<th>Mod #</th>
<th>Topic</th>
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<table>
<thead>
<tr>
<th>Lect #</th>
<th>Date</th>
<th>Main Reading</th>
<th>Due dates</th>
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<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td>Week</td>
<td>Topic</td>
<td>Date</td>
<td>Details</td>
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<tr>
<td>1</td>
<td>Introduction to International Trade</td>
<td>19-May</td>
<td>Short videos and reading on blackboard</td>
</tr>
<tr>
<td>2</td>
<td>Utility and production</td>
<td>24-May</td>
<td>Videos and reading on blackboard</td>
</tr>
<tr>
<td>3</td>
<td>Trade Theory and Data</td>
<td>25-May</td>
<td>Feenstra and Taylor (2015), ch 2-4, 6, 7 or Krugman et al (2015), ch 3-5, 7; Bacchetta et al (2012), ch 1; Armington, P. S, 1969; Task 1 due - May 31</td>
</tr>
<tr>
<td>4</td>
<td>Trade Policy Instruments and Data</td>
<td>26-May</td>
<td>Feenstra and Taylor (2015), ch 8 or Krugman et al (2015), ch 9; Bacchetta et al. (2012), ch 2; Homework 1 due - June 12</td>
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<tr>
<td>6</td>
<td>A Basic CGE Model</td>
<td>1-Jun</td>
<td>Bacchetta et al. (2012), ch 5; Burfisher (2017), ch 1-2, 4, 7; Homework 2 due - June 20</td>
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<td>7</td>
<td>The GTAP Model</td>
<td>2-Jun</td>
<td>Bacchetta et al. (2012), ch 5; Burfisher (2017), ch 2,5-6, 8; Brockmeier, M., (2001)</td>
</tr>
<tr>
<td>8</td>
<td>Trade agreements, trade wars and the WTO</td>
<td>7-Jun</td>
<td>Feenstra and Taylor (2015), ch 11 or Krugman, Obstfeld and Melitz (2015)</td>
</tr>
<tr>
<td>9</td>
<td>Other issues</td>
<td>12-Jul</td>
<td>Feenstra and Taylor (2015), ch 5 or Krugman et al (2015), ch 8, 11; Presentations and Final report due</td>
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<tr>
<td>10</td>
<td>Presentations</td>
<td>13-Jul</td>
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Statement on Academic Conduct and Support Systems

Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in SCampus in Part B, Section 11, “Behavior Violating University Standards” [policy.usc.edu/scampus-part-b]. Other forms of academic dishonesty are equally unacceptable. See additional information in SCampus and university policies on scientific misconduct, [policy.usc.edu/scientific-misconduct].

Support Systems:

Student Health Counseling Services - (213) 740-7711 – 24/7 on call
engemannshc.usc.edu/counseling

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention.

National Suicide Prevention Lifeline - 1 (800) 273-8255 – 24/7 on call
suicidepreventionlifeline.org

Free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week.

Relationship and Sexual Violence Prevention Services (RSVP) - (213) 740-4900 – 24/7 on call
engemannshc.usc.edu/rsvp

Free and confidential therapy services, workshops, and training for situations related to gender-based harm.

Office of Equity and Diversity (OED) | Title IX - (213) 740-5086
equity.usc.edu, titleix.usc.edu

Information about how to get help or help a survivor of harassment or discrimination, rights of protected classes, reporting options, and additional resources for students, faculty, staff, visitors, and applicants. The university prohibits discrimination or harassment based on the following protected characteristics: race, color, national origin, ancestry, religion, sex, gender, gender identity, gender expression, sexual orientation, age, physical disability, medical condition, mental disability, marital status, pregnancy, veteran status, genetic information, and any other characteristic which may be specified in applicable laws and governmental regulations.

Bias Assessment Response and Support - (213) 740-2421
studentaffairs.usc.edu/bias-assessment-response-support

Avenue to report incidents of bias, hate crimes, and microaggressions for appropriate investigation and response.

The Office of Disability Services and Programs - (213) 740-0776
dsp.usc.edu
Support and accommodations for students with disabilities. Services include assistance in providing readers/notetakers/interpreters, special accommodations for test taking needs, assistance with architectural barriers, assistive technology, and support for individual needs.

*USC Support and Advocacy* - (213) 821-4710

[studentaffairs.usc.edu/ssa](studentaffairs.usc.edu/ssa)

Assists students and families in resolving complex personal, financial, and academic issues adversely affecting their success as a student.

*Diversity at USC* - (213) 740-2101

[diversity.usc.edu](diversity.usc.edu)

Information on events, programs and training, the Provost’s Diversity and Inclusion Council, Diversity Liaisons for each academic school, chronology, participation, and various resources for students.

*USC Emergency - UPC: (213) 740-4321, HSC: (323) 442-1000 – 24/7 on call*

[dps.usc.edu](dps.usc.edu), [emergency.usc.edu](emergency.usc.edu)

Emergency assistance and avenue to report a crime. Latest updates regarding safety, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible.

*USC Department of Public Safety - UPC: (213) 740-6000, HSC: (323) 442-120 – 24/7 on call*

[dps.usc.edu](dps.usc.edu)

Non-emergency assistance or information.