



## **Econ 450: International Trade (Fall 2021)**

**Units:** 4

**Time:** 10-11:50am

**Location:** Tuesday and Thursday

**Instructor:** Terrie Walmsley

**Email:** [twalmsle@usc.edu](mailto:twalmsle@usc.edu)

**Office Hours:** Tuesday and Thursday 1-2pm or by appointment.

### **Course Description**

The purpose of this course is to introduce you to the dynamic field of international trade. We will study some of the most influential theoretical models of international trade to investigate why nations trade, what they trade, and who gains (or not) from this trade. We examine the motives for countries to restrict or regulate international trade and study the effects of such policies on economic welfare. We then turn to analyze the reasons for and consequences of the movement of labor and foreign direct investment across national borders. Topics covered will include the effects of trade on economic growth and wage inequality, multinationals and foreign direct investment, international trade agreements and current trade policy disputes. The course will examine past and current events in the world economy, but will also rely heavily on formal economic theories to help us understand these events.

### **Learning Objectives and Outcomes**

Throughout the course, students will be introduced to and exposed to various theories of international trade and their application to trade policy. By the end of the course students are expected to be able to:

- explain the basic concepts used in international trade;
- apply the theoretical concepts and models to show how trade and trade policies impact economic welfare and factor returns;
- analyse some of the current issues in international trade policy and their implications for welfare using the theoretical frameworks provided;
- argue convincingly the pros and cons of international trade, migration and foreign investment; and
- present the key elements of a newspaper or journal article to your colleagues.

### **Prerequisite(s)**

The course is designed for econ majors and I assume that you are familiar with the basic concepts in economics, such as indifference curves, consumer surplus, producer surplus, etc. This also means that you will be expected to have some basic understanding of calculus. Exposure to the principles of macroeconomics is also useful. Econ 303 is a strict prerequisite for this course.

### **Course Notes**

Classes will take the form of online lectures, discussions and hands-on exercises.

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 light of supplementary reading assignments.

### Technological Proficiency and Hardware/Software Required

Students will be required to manipulate data in excel and are expected to be able to use some of the basic features in excel.

### Required Readings and Supplementary Materials

There are two text books used for International Trade courses.

Feenstra, R. C. and A. M. Taylor, 2015, International Trade, Worth Publishers (3rd Ed).

Krugman, P., M. Obstfeld and M. Melitz, 2015, International Trade: Theory and Policy, Pearson (10th ed).

I reference to both, but will primarily follow the explanations from Feenstra and Taylor. It is strongly suggested that students obtain one of these text books. Older editions are suitable, since the text books are helpful for understanding theory, which changes infrequently. We will use newspaper articles to examine current issues.

Other references are available from the library or links provided. Students are expected to write two blogs – one on a newspaper and one on a journal articles and to present one of these in class as part of their assessment. These blogs will then form the basis of a resource available to all students for review.

Week	Topic	Reading*	Assessment due
1	1. Introduction to course and International Trade	[FT] Chapter 1 or [KOM] Chapter 1-2  <a href="#">Why does the US have a trade deficit? Are trade deficits bad?</a> New York Times, George Mankiw (October 5, 2018)  “ <i>What Do Undergrads Need to Know About Trade?</i> ” in Paul Krugman, <i>Pop Internationalism</i> , MIT Press, 1997  Deardorff, Alan, and Robert Stern. “ <a href="#">What the Public Should Know About Globalization and the World Trade Organization.</a> ” (PDF) Research Seminar in International Economics, Discussion Paper No. 460, July 2000. (Part I & II)  Irwin, Douglas. “ <a href="#">The United States in a New Global Economy? A Century's Perspective.</a> ” <i>The American Economic Review</i> 86, no. 2 (1996): 41–46.	
2	2. Trade, Technology and Comparative	[FT] Chapter 2 or [KOM] Chapter 3	

	Advantage: The Ricardian Model	Deardorff, Alan. " <a href="#">Benefits and Costs of Following Comparative Advantage</a> ." University of Michigan, School of Public Policy, Research Seminar in International Economics, Discussion Paper No. 423, 1998.  <a href="#">Three myths of free trade</a> (also discussed in KOM)	
3	3. Gains and Losses from Trade: The Specific-Factors Model	[FT] Chapter 3 or [KOM] Chapters 4  Krugman, Paul R. " <a href="#">Ricardo's Difficult Idea</a> "  Krugman, Paul R. " <a href="#">In Praise of Cheap Labor</a> ." <i>Slate</i> , March 1997.  "Trade, Jobs, and Wages" in Paul Krugman, <i>Pop Internationalism</i> , MIT Press, 1997	
4	4. Resources, Trade, and Income Distribution: The Heckscher-Ohlin Model of Trade	[FT] Chapter 4 or [KOM] Chapters 5  Freeman, Richard. "Are Your Wages Set in Beijing?" <i>The Journal of Economic Perspectives</i> 9, no. 3 (1995): 15–32.  Bastiat, Frédéric. " <a href="#">Petition of the Candle Makers</a> ." <i>Economic Sophisms</i> . Jazzybee Verlag, 2016. ISBN: 9783849687823. (Originally published in 1845)	Assignment 1 due
5	5. Standard Trade Model	[KOM] Chapter 6	
6	6. Imperfect Competition: Increasing returns to scale and monopolistic competition	[FT] Chapter 6 or [KOM] Chapter 7-8	
7	7. Sourcing inputs: Offshoring, FDI and MNF	[FT] Chapter 5 and 7 or [KOM] Chapter 7-8  A. Bernard, J. Jensen, S. Redding, and P. Schott. "Firms in International Trade." <i>The Journal of Economic Perspectives</i> , Vol. 21, No. 3 (Summer, 2007), pp. 105-130.  M. Melitz and D. Trefler. "Gains from Trade when Firms Matter." <i>The Journal of Economic Perspectives</i> , Vol. 26, No. 2 (Spring 2012), pp. 91-118.	Assignment 2 due

		<p>Markusen, James R. "The Boundaries of Multinational Enterprises and the Theory of International Trade." <i>The Journal of Economic Perspectives</i> 9, no. 2 (1995): 169–89.</p> <p>Feenstra, Robert C. "Integration of Trade and Disintegration of Production in the Global Economy." <i>Journal of Economic Perspectives</i> 12, no. 4 (1998): 31–50.</p>	
8	8. Sourcing inputs: Immigration	<p>[FT] Chapter 5 or [KOM] Chapter 4, pp.72-78</p> <p>Borjas, George, Richard Freeman, et al. "Searching for the Effect of Immigration on the Labor Market." <i>The American Economic Review</i> 86, no. 2 (1996): 246–51.</p>	
9	9. Trade Policy Instruments: Tariffs, Quotas, Export Subsidies	<p>[FT] Chapter 8-10 or [KOM] Chapters 9–10</p> <p>Feenstra, Robert C. "How Costly is Protectionism?" <i>The Journal of Economic Perspectives</i> 6, no. 3 (1992): 159–78.</p> <p>Baldwin, Robert E. "The Political Economy of Trade Policy." <i>The Journal of Economic Perspectives</i> 3, no. 4 (1989): 119–35.</p> <p>Krugman, Paul R. "Is Free Trade Passé?" <i>The Journal of Economic Perspectives</i> 1, no. 2 (1987): 131–44.</p>	
10	10. Trade agreements and the World Trade Organisation	<p>[FT] Chapter 11 or [KOM] Chapters 9–10</p> <p>Deardorff, Alan, and Robert Stern. <a href="#">"What the Public Should Know About Globalization and the World Trade Organization."</a> (PDF) Research Seminar in International Economics, Discussion Paper No. 460, July 2000. (Part III)</p> <p>"The Uncomfortable Truth About NAFTA" in Paul Krugman, <i>Pop Internationalism</i>, MIT Press, 1997</p>	
11	11. Trade and development	<p>[KOM] Chapter 11</p> <p>"Does Third World Growth Hurt First World Prosperity?" in Paul Krugman, <i>Pop Internationalism</i>, MIT Press, 1997</p> <p>Krugman, Paul R. <a href="#">"A Raspberry for Free Trade."</a> <i>Slate</i>, November 1997.</p>	Assignment 3 due

		<a href="#">Three myths of free trade</a> (also discussed in KOM)  Winters, L. A., N. McCulloch, and A. McKay, 2004, “Trade Liberalization and Poverty: The Evidence So Far”, <i>Journal of Economic Literature</i> , Vol. XLII (March 2004) pp. 72–115.	
12	12. Industrial Policy, Labor Standards, and the Environment	[FT] Chapter 11 or [KOM] Chapter 12	
13	13. Applied Trade Policy Analysis	Bacchetta, M., Beverelli, C., Cadot, O., Fugazza, M., Grether, J., Helble, M., Nicita, A., and R. Piermartini, 2012, <a href="#">A practical guide to Trade Policy Analysis</a> , World Trade Organisation and United Nations Conference on Trade and Development Virtual Institutue. Available for download at: <a href="https://vi.unctad.org/tpa/index.html">https://vi.unctad.org/tpa/index.html</a> .	Final blogs due

\* only the chapters of FT or KOM are required. All others are readings are supplementary based on interest and only required if selected for blogs.

### Weekly Schedule

Each topic will take approximately one week, although some are slightly longer and others shorter. Each week will include a lecture and a practical session, in which we will look at practical exercises, and newspaper and journal articles.

### Description and Assessment of Assignments

Students will be assessed through:

- Homework assignments: three homework exercises including problems and manipulating data in excel.
- Blogs: students are expected to write two blogs and participate in online and class discussions. One Blog will be on a research paper and another on a newspaper article related to trade.
- Final Exam: short answer or essay questions.

Assignment	% of Grade
Homework assignments (three)	40
Blogs (two)	20
Final exam	40
<b>TOTAL</b>	100

### Grading Scale

Grading in this course is generally A – C, C-, 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 by noon on the due date. Students will be required to submit their write up, as well as excel files with workings where appropriate.

### **Grading Timeline**

Assignments will be graded and feedback given within 2 weeks of submission.

### **Additional Policies**

- Lectures will be of two types. Lectures in which you will be provided with most of the material for the course; and practical sessions in which students will work in teams to understand models, look at data, answer questions and discuss research papers, newspaper articles and their own blogs.
- Lectures will complement your textbook and readings, and help your comprehension of the material. There will be material in some lectures, which does not appear in the textbook, but may be covered on the tests. The practical sessions will help deepen your understanding of the material and help you prepare for assignments and exams. **Your participation in the practical sessions is highly recommended for successful completion of blogs and homework assignments.**
- 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.
- Write clearly and legibly; if I can't read it, I can't grade it. Show the steps of your mathematical reasoning, and draw and label the figures clearly.
- Please submit .doc, .xlsx or .pdf files. If you are using Apple versions of these products please convert to pdf, so that I can open them.
- Check your answers against the answer key; this should resolve most of your questions. If any remain, ask. Any regrading requests for exams must be made within two weeks from the date the graded answers are made available. If you ask for a regrading, your whole problem set or exam will be regraded. This may bring to light some previously unnoticed errors, and you may end up with a lower score, not higher.
- Grading of any essay questions involves not only checking the logical correctness of your reasoning, but also an evaluation of the coverage, order of presentation, overall quality of the writing and referencing (if requested).

### **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](http://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](http://policy.usc.edu/scientific-misconduct).

#### **Policy on Missed Exams:**

Students must take the exams at the scheduled times. The only valid grounds for a make-up exam is a valid medical excuse with documentation, or extenuating circumstances for which prior arrangements have been made with the instructor. No credit will be given for unexcused,

missed exams. Student will receive an F for the course if the final exam is missed for an unexcused absence. If you have a valid reason for missing the final exam, and can document it, you will be awarded an incomplete.

Under the USC ARR Grade Handbook, students are never permitted to omit taking the final exam or take it early. The only possible grounds for taking the final exam at a different time from the rest of the class are: (1) two final examinations that are scheduled for the same time; or (2) more than two final examinations on the same day. If this situation applies to you, you must contact both me and the other involved professors no later than two weeks prior to the examination dates.

### **Students with Disabilities:**

Any student requesting academic accommodations based on a disability is required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP. Please be sure the letter is delivered to me as early in the semester as possible. DSP is located in STU 301 and is open 8:30AM-5PM, Monday-Friday. The phone number for DSP is (213)740-0776.

### **Support Systems:**

*Student Health Counseling Services - (213) 740-7711 – 24/7 on call*

[engemannshc.usc.edu/counseling](http://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](http://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](http://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](http://equity.usc.edu), [titleix.usc.edu](http://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](http://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](http://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](http://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](http://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](http://dps.usc.edu), [emergency.usc.edu](http://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](http://dps.usc.edu)

Non-emergency assistance or information.