

ECON 450: International Trade

Units: 4

Summer 2022—TuWTh—Time: 10:00 – 11:50 AM

Location: GFS 118

Instructor: Ali Shahnawaz

Office:

Office Hours: Tu 12 -1:30 PM

Contact Info: email – shahnawa@usc.edu (allow up to 48 hours for a response).

Course Description

This course will analyze the explanations for and consequences of international trade and investment. We will focus on the interplay of economic theory and empirical descriptions of foreign trade and direct investment patterns. 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. At the end of the course, you should have an understanding of why we observe the patterns of trade that we do, what the gains and losses from trade liberalization are, and which policies can harness these gains from trade. You should also be able to provide rationales based on theoretical foundations for empirical observations related to trade and foreign investment.

Learning Objectives

By the end of the course, you should be able to comprehend and explain each theory discussed in class, illustrate each theory with adopted tools, and interpret the implications of potential trade and investment policies.

Prerequisite(s): ECON 303

Course Notes

Course related material, including this syllabus, may be downloaded from Blackboard. Some assessments will be conducted on Pearson MyLab, an online learning platform.

Required Readings and Supplementary Materials

The text for the course is Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Trade: Theory and Policy*, 12th edition, Pearson Addison Wesley (henceforth KO). The hard copy of the book is only recommended since you will need to purchase access to MyLab, which gives the option of including an e-book version of the text. If you would like to have a hard copy, an older edition should mostly do fine. You may purchase MyLab access from either the bookstore or by following the link in the MyLab registration instructions available in Blackboard. Another helpful text on the theory of international trade is James Markusen, et al, *International Trade: Theory and Evidence*, which is available free on line at: https://mpr.aub.uni-muenchen.de/21989/1/MPRA_paper_21989.pdf

An optional supplementary text is *Straight Talk on Trade* by Dani Rodrik, Princeton University Press. You can download a PDF of this from USC Libraries by doing a search at <https://libraries.usc.edu/> and using your USC credentials to log in and gain access.

You might also benefit from having by your side your ECON 303 or any other intermediate microeconomics text (for example, Hal Varian's *Intermediate Microeconomics*) to review some of the relevant models.

Description and Assessment of Assignments

Students will be expected to prepare assigned readings every week. Problem sets are an important component of this course and will be critical in enhancing your understanding of the material (not to mention, in helping you do well on the exams!). Deadlines are important. Plan ahead and make sure you turn in your assignment early if you at any point expect other commitments to inundate you close to the stated deadline. **No late assignments will be accepted!** All assignments are due by 11:59 PM (PST = California time) in MyLab, on dates that fall on Saturdays.

ASSIGNMENT DUE DATES (all due by 11:59 PM on specified dates)

- Saturday, May 21: Ungraded 'Getting Started' in MyLab homework
- Saturday, May 28: Chapter 1 and 2
- Saturday, June 4: Chapters 3 and 4
- Saturday, June 11: Chapter 5
- Saturday, June 18: Chapter 6
- Saturday, June 25: Chapters 7 and 8
- Saturday, July 2: Chapter 9
- Saturday, July 9: Chapters 10, 11, and 12

Exam 1: Wednesday, June 8 **Exam 2: Wednesday, June 29** **Exam 3: Tuesday, July 12**

Grading Breakdown

- Problem sets are worth 20%
- Exams 1 and 2 are each worth 30%
- Exam 3 is worth 20%

Grading Scale

Course final grades will be determined using the following scale

A	95-100
A-	90-94
B+	87-89
B	83-86
B-	80-82
C+	77-79
C	73-76
C-	70-72
D+	67-69
D	63-66
D-	60-62
F	59 and below

Assignment Submission Policy

All assignments are due by 11:59 PM (PST = California time) in MyLab, on dates that fall on Saturdays. **No late assignments will be accepted!**

Grading Timeline

Assignment grades should be available immediately after the due date. Allow up to one week for exams to be graded.

Additional Policies

This is a fast-moving summer course. Keeping up with the material is essential. That means you should attend classes regularly and complete your assignments and exams on time. As stated earlier, **no late assignments will be accepted**. Also, **no make-up exams will be given**, without valid documentation of a qualified reason.

Course Schedule: A Weekly Breakdown

The schedule below is tentative (it approximates our weekly progress) and may be adjusted as we progress through the term.

Week 1: Introduction, Basic facts and issues

Reading: KO, Ch.1 and 2

Recommended: "What do Undergrads Need to Know About Trade?" *American Economic Review Papers and Proceedings*, May 1993, p. 23-26

Week 2: Endowment Economies

Reading: Markusen et al, Ch. 3

Recommended: Varian, Chs 2-6, 9, 31

The Ricardian Model

Reading: KO, Ch. 3

Recommended: (1) Markusen, et al, Ch. 7; (2) Paul Samuelson: "Why Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization", *Journal of Economic Perspectives* (Summer 2004), pp. 135-146.

Week 3: The Specific Factors Model

Reading: KO, Ch 4

Recommended: Markusen, et al, Ch 9

Week 4 (EXAM 1 this week): The Heckscher-Ohlin Model

Reading: KO, Ch. 5

Recommended: (1) Markusen, et al, Ch. 8; (2) Richard Freeman: "Are Your Wages Set in Beijing?" *Journal of Economic Perspectives*, Summer 1995.

Week 5: The Standard Trade Model

Reading: KO, Ch. 6

Week 6: Increasing Returns

Reading: KO, Ch. 7

Multinational Firms and FDI

Reading: KO, Ch. 8

Recommended: Robert Feenstra: "Integration of Trade and Disintegration of Production in the Global Economy," *Journal of Economic Perspectives*, Fall 1998.

Week 7 (EXAM 2 this week): Trade Policy

Reading: KO, Chs. 9

International Trade Agreements and the WTO

Reading: (1) Alan Deardorff and Robert Stern: “What the Public Should Know about Globalization and the World Trade Organization,” July 2000, Part III. (Available at: www1.worldbank.org/economicpolicy/globalization/documents/r460.pdf)
(2) KO, Ch. 10

Week 8: Trade and Development

Reading: KO, Ch. 11

Recommended: Jeffrey A. Frankel and David Romer, “Does Trade Cause Growth?” *American Economic Review*, June 1999, pp. 379-399.

Industrial Policy and Standards

Readings: KO, Ch. 12

EXAM 3 on last day of class.

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, <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

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

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

National Suicide Prevention Lifeline – 1 (800) 273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. www.suicidepreventionlifeline.org

Relationship and Sexual Violence Prevention Services (RSVP) – (213) 740-4900 – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. engemannshc.usc.edu/rsvp

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: sarc.usc.edu

Office of Equity and Diversity (OED)/Title IX Compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class. equity.usc.edu

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. studentaffairs.usc.edu/bias-assessment-response-support

The Office of Disability Services and Programs

Provides certification for students with disabilities and helps arrange relevant accommodations. dsp.usc.edu

Student Support and Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. studentaffairs.usc.edu/ssa

Diversity at USC

Information on events, programs and training, the Diversity Task Force (including representatives for each school), chronology, participation, and various resources for students. diversity.usc.edu

USC Emergency Information

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. emergency.usc.edu

USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime.

Provides overall safety to USC community. dps.usc.edu