



Econ 450: International Trade (Spring 2021)

Time: Monday and Wednesday 10:00–11:50 am

Location: Zoom - Meeting ID: 917 3601 1015; Passcode: 042710

Instructor: Monica Morlacco

Email: morlacco@usc.edu

Personal Zoom Link: <https://usc.zoom.us/j/8994774041>

Office Hours: Mon. 5pm–6pm. [Zoom Link](#)

Teaching Fellow: Qitong Wang

Office hours: Mon. 4pm–5pm

Recitation: Fri. 9–10am [Zoom Link](#)

Course Overview

This course will analyze the causes and consequences of international trade and investment. We will investigate why nations trade, what they trade, and who gains (or not) from this trade. We will then analyze the motives for countries or organizations to restrict or regulate international trade and study the effects of such policies on economic welfare. 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. Although the course will examine past and current events in the world economy, we will heavily rely on formal economic modeling to understand these events.

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 familiarity with calculus. Exposure to the principles of macroeconomics is also useful. Econ 303 is a strict prerequisite for this course.

Requirements

Activities	Percentages
Mid-term Exam	35%
Final Exam	35%
Problem Sets	20%
Online Quizzes	10%

There will be one in-class midterm exam (35% of the course grade) and one final exam (35% of the course grade). The exams will cover all the lecture material and all of the assigned textbook readings. The specific readings required for each exam will be announced well ahead of each

exam date. *There will be no make-up exams.* All exams will be closed-book: You may not use notes, computer searches, books, or (virtually) communicate with other classmates.

The exam(s) will be held on the following dates:

- Midterm Exam: March 3rd, 2021
- Final Exam: May 10^h, 2021

Problem Sets: Four (4) problem sets will be distributed during the semester. They will include mostly analytical problems that involve the use of basic calculus. Your lowest problem set grade will be dropped so that you can miss one no questions asked. The problem sets will be collected and evaluated, and answers will be subsequently posted on the class website. You are encouraged to discuss these problems with your classmates; however, you must write up your answers. **No late assignments will be accepted** since I will provide solutions soon after the homework is due. You should scan or take a (good quality) picture of your work and upload it on blackboard using Turnitin. Problem set grades will account for 20% of your course grade.

Quizzes: Five (5) quizzes will be assigned during the semester. They will include mostly simple, multiple-choice questions that may require the use of basic calculus. Your lowest quiz grade will be dropped so that you can miss one no questions asked. The quizzes will be assigned on blackboard, and you should solve them online. You are encouraged to solve these simple questions individually, as they are mostly meant to make sure you understand the basic concepts right. **No late assignments will be accepted.** Quizzes grades will account for 10% of your course grade.

Required Textbook

[KOM] Paul Krugman, Maurice Obstfeld, and Marc Melitz, *International Economics: Theory and Policy*, 11th edition, Addison Wesley

Grading Policy

- Write clearly and legibly; if we can't read it, we can't grade it. Show the steps of your mathematical reasoning, and draw and label the figures clearly.
- Check your answers against the answer key; this should resolve most of your questions. If any remain, ask the TA. 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.
- On math questions, unless your answer is entirely correct, the assignment of partial credit must be a matter for judgment. If you make a mistake on an early part of a question, everything thereafter will probably go wrong; we do not have the time to figure out if your subsequent answer is a "correct" follow-up given your earlier mistake.

- 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, and overall quality of the writing. This entails some unavoidable subjective judgment, and, like balls and strikes in baseball, it is not open to question.

Course Schedule: A Weekly Breakdown*

SES	TOPICS	KEY DATES	DATE
1	Introduction; Basics		Jan. 20 th
2	Preferences and Demand (1)	Quiz 1 Available	Jan. 25 th
3	Preferences and Demand (2)		Jan. 27 th
4	Exchange Economies	Quiz 1 Due; PS 1 Available	Feb. 1 st
5	Exchange Economies: Welfare, Inequality, Trade Imbalances		Feb. 3 rd
6	"Standard" Trade Models	Quiz 2 Available;	Feb. 8 th
7	"Standard" Trade Models: Changes in Terms of Trade	PS1 due	Feb. 10 th
8	"Standard" Trade Models: Changes in Terms of Trade	Quiz 2 Due; PS 2 Available	Feb. 17 th
9	Ricardian Trade Model		Feb. 22 nd
10	Extension of Ricardian Trade Model		Feb. 24 th
11	Midterm Review	PS2 Due	Mar. 1 st
12	Midterm		Mar. 3 rd
13	Production Function		Mar. 8 th
14	Specific Factor Model	Quiz 3 Available	Mar. 10 th
15	Specific Factor Model (cont.)	PS3 Available	Mar. 15 th
16	Heckscher-Ohlin Model of Trade	Quiz 3 Due	Mar. 17 th
17	Heckscher-Ohlin Model of Trade (Cont.)		Mar. 22 nd
18	Heckscher-Ohlin Model of Trade (Cont.)	PS3 Due;	Mar. 24 th
19	Migration and FDI in H-O Model	PS4 Available	Mar. 29 th
20	"New Trade Theory": Increasing Returns to Scale		Mar. 31 st
21	"New Trade Theory": Trade with Monopolistic Competition		Apr. 5 th
22	"New Trade Theory": Firms and Trade	PS4 Due; Quiz 4 Available	Apr. 12 th
23	"New Trade Theory": Dumping & External Economies of Scale		Apr. 14 th
24	Trade Policy: Tariffs	Quiz 4 Due; Quiz 5 Available	Apr. 19 th
25	Trade Policy: Other Policy Instruments		Apr. 21 st
26	Offshoring: Do Old Rules Still Apply?	Quiz 5 Due	Apr. 26 th
27	Final Review		Apr. 28 th
	Final Exam		May 10 th

(Extra) Reading(s) by Topic*

Topic #	Topic(s)	Readings
1	Course introduction; Basic Facts about Trade	[KOM] Chapter 1-2 [Pop] " <i>What Do Undergrads Need to Know About Trade?</i> P.117 Deardorff, Alan, and Robert Stern. " What the Public Should Know About Globalization and the World Trade Organization. " (PDF) Research Seminar in International Economics, Discussion Paper No. 460, July 2000. (Part I & II)
2	Gains from Trade; Comparative Advantage; Standard Trade Model	[KOM] Chapter 6 Deardorff, Alan. " Benefits and Costs of Following Comparative Advantage. " University of Michigan, School of Public Policy, Research Seminar in International Economics, Discussion Paper No. 423, 1998.
3	Technology, Factor Endowments, and Increasing Returns	[KOM] Chapters 3–5 and 7 Krugman, Paul R. " Ricardo's Difficult Idea. " [Pop] Krugman, Paul R., and Robert Lawrence. "Trade, Jobs, and Wages." Freeman, Richard. " Are Your Wages Set in Beijing? " <i>The Journal of Economic Perspectives</i> 9, no. 3 (1995): 15–32. [Pop] "Does Third World Growth Hurt First World Prosperity?"
4	Trade Policy	[KOM] Chapters 9–10. Feenstra, Robert C. " How Costly is Protectionism? " <i>The Journal of Economic Perspectives</i> 6, no. 3 (1992): 159–78. Baldwin, Robert E. " The Political Economy of Trade Policy. " <i>The Journal of Economic Perspectives</i> 3, no. 4 (1989): 119–35. Krugman, Paul R. " Is Free Trade Passé? " <i>The Journal of Economic Perspectives</i> 1, no. 2 (1987): 131–44.
5	Firms in the Global Economy;	[KOM] Chapter 8.

	International Factor Movements	<p>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.</p> <p>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.</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> <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>
6	Trade and Development	[KOM] Chapter 11
7	Industrial Policy, Labor Standards, and the Environment	[KOM] Chapter 12
8	Trade Agreements	<p>[Fire] Chapters 5–6</p> <p>Deardorff, Alan, and Robert Stern. "What the Public Should Know About Globalization and the World Trade Organization." (PDF) Research Seminar in International Economics, Discussion Paper No. 460, July 2000. (Part III)</p> <p>[Pop] "The Uncomfortable Truth About NAFTA."</p>

* Details of the readings/schedule of classes are subject to change.

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 (or to a TA) as early in the semester as possible. DSP is located in STU 301 and is open 8:30 am-5 pm, Monday-Friday. The phone number for DSP is (213)740-0776.

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