

ECN 3613 – International Trade

Department of Economics - University of Oklahoma

Spring, 2019

Course Description:

We will cover major theoretical and empirical issues arising in the study of international trade flows. This course examines the **role of prices** in determining the pattern and direction of trade in goods, services, labor, and capital.

We will explore multiple models of trade with the emphasis on **who wins and who loses** as a result of free trade in both **goods** and **factors of production**.

A related theme of the course is the way trade influences the **types of jobs** that our own workers do. The United States used to be the most important producer of manufacturing good, but for many reasons, its labor has reallocated to other sectors of the economy.

Finally, the class will cover the motivation and **welfare** consequences of trade policy and coordination, mostly through the eradication of policy induced **trade barriers**.

Prerequisites: a grade of C or better in ECON 1113 and 1123.

Course Objectives:

“The free trade of goods and services affects their prices and therefore their production allocation and the wages/rents of their factors of production. However, the ‘trade’ of factors (labor and capital mobility) does not affect the prices of these factors in the long run. The reason is due to reallocation of production where sectors substitute factors to keep demand for labor and capital constant.”

We will learn about these concepts and explain the basis for this prediction later in this course.

The aim is to give you the necessary tools to critically read and apply your knowledge to current issues in international trade and be fluent in the standard datasets essential to the field. At the end of the course you should not only understand why we observe certain trade patterns, but also have an advanced understanding of concepts commonly used in micro theory.

Course Information:

LECTURE TIME: Tuesday, Thursday: 1:30pm – 2:45pm.

CLASSROOM: Cate Center One 0237.

Website: CANVAS

Instructor Information:

Ariel Weinberger

ariel.weinberger@ou.edu

PLEASE ALLOW 24 HOURS for response.

OFFICE HOURS: Wednesday 10:00am –Noon.

OFFICE: CATE 421

Textbook Information:

Main Textbook: Robert Feenstra and Alan Taylor, *International Trade*, 4rd Edition, 2017.

Past editions, especially a recent 3rd edition, should be mostly fine for this course. However, many problem set questions will be taken from the textbook and so you will have to be careful about the numbering changes across editions.

Links to additional readings and podcasts consisting of articles from economic journals and popular press will be available through the class website. The class schedule below lists the probably readings and when they will be assigned, although **I am likely to substitute in new readings** and take out old ones as I see fit throughout the semester. Therefore, the readings listed in the class schedule are subject to change.

Course Website:

Announcements, problem sets, solutions, and other information will be posted on **CANVAS**. Although I intend to send out reminders when new materials are posted on **CANVAS**, it is your responsibility to check the website regularly for updates.

Homework Assignments:

There will be about 9 problem sets that follow the structure of the book. Most of the problems will come from the end-of-chapter questions, so having the textbook is useful. I will give you the assignment in the lectures and these will generally be **due a lecture after we finish a chapter/topic**. I will clearly state the deadline for these assignments in class and the class website.

Problem sets will be graded mostly on effort/completion, although we will check some problems to establish incentive and variation. Each homework will be graded on a scale of: (3/3 points), check (2/3 points), and check minus (1/3 points).

You should submit the homework to me before (or right after) the lecture on the due date. No late submission will be accepted and will result in a zero on the assignment. You must turn in YOUR OWN work for homework assignments although you are encouraged to work together.

Quizzes:

We will have a number of **quizzes** based on the assigned readings and course material. I have listed outside (non-textbook) readings for each topic. I will tell you when you are responsible for each reading, and then it is possible that you will be quizzed on that reading at the beginning of the next lecture. We will then discuss the reading and answers to the quiz in class. It is also possible that I will ask you questions based on the material learned in the previous/current lecture.

Grading:

There will be two midterms, a final, pop quizzes, and (most likely) 9 problem sets. The format of exams will be pretty standard, some multiple-choice questions and mostly short answer questions. The midterm and final will be on the following dates:

- **Midterms: Tuesday, February 19th and Thursday April 4th.**
- **Final: Thursday May 2nd, 1:30pm-2:45pm.**

I will give some leeway in how your total score is calculated by allowing the midterm and final weights to vary by your performance. Overall grades will be calculated in 2 ways, with the maximum raw score chosen:

- 1) 20% problem sets, 10% Quizzes, 40% midterms, 30% final.
- 2) 20% problem sets, 10% Quizzes, 20% midterms (drop one midterm), 50% final.

Makeup exams will NOT be given. If you have a reasonable excuse for missing the midterm with proof (e.g. a signed doctor's note) then your final exam will receive a 50% weight.

Re-grading: You can talk to me about simple mistakes such as points being added up incorrectly. If you want me to re-read an answer(s) on your exam to re-grade a particular answer(s), you must turn in your exam to me within a week of the distribution of the exams with a written note explaining specifically where the exam deserves more points. I keep the right to re-grade the whole exam.

Expectations:

The most important aspect of the class is to put in time and energy that allows you to understand the material. I understand that new concepts take some time to digest, and for this reason I expect each student to devote at least a couple hours a week (when there is no exam) outside of lecture on this course. You should expect me to express the material clearly and rehash it as necessary, but in return I expect you to play an active part in the process by working to make the concepts click.

University Policies:

Academic Integrity:

All students are expected to conform to college-level standards of ethics, academic integrity, and academic honesty. By enrolling in this course, you agree to be bound by the Academic Misconduct Code published in The University of Oklahoma Student Code

(www.ou.edu/studentcode/OUStudentCode.pdf). For further clarification please see: www.ou.edu/provost/integrity-rights/.

All members of the community recognize the necessity of being honest with themselves and with others. Cheating in class, plagiarizing, lying and employing other modes of deceit diminish the integrity of the educational experience. None of these should be used as a strategy to obtain a false sense of success. The need for honest relations among all members of the community is essential.

Religious Observance:

It is the policy of the University to excuse the absences of students that result from religious observances and to reschedule examinations and additional required classwork that may fall on religious holidays, without penalty.

Reasonable Accommodation Policy:

Students requiring academic accommodation should contact the Disability Resource Center for assistance at (405) 325-3852 or TDD: (405) 325-4173. For more information please see the Disability Resource Center website <http://www.ou.edu/drc/home.html> Any student in this course who has a disability that may prevent him or her from fully demonstrating his or her abilities should contact me personally as soon as possible so we can discuss accommodations necessary to ensure full participation and facilitate your educational opportunities.

Class Schedule (preliminary):

Week 1: Tuesday Jan 15th: International Trade Data and Intro

Thursday Jan 17th: Discuss reading, Micro Theory Review, and start Ch. 2.

Readings: Feenstra, Ch. 1.

"What Do Undergrads Need to Know About International Trade?" by Paul Krugman

"Podcast: Paul Krugman Talks Trade" by Trade Talks Podcast (PIIE)

Week 2: Tuesday Jan 22nd: Trade and Technology: The Ricardian Model

Thursday Jan 24th: Trade and Technology: The Ricardian Model

Readings: Feenstra, Ch. 2

"A Direct Test of the Theory of Comparative Advantage: The Case of Japan," by Bernhofen and Brown (only Sections I and IV are required).

Week 3: Tuesday Jan 29th: Gains and Losses from Trade in the Specific Factors Model

Thursday Jan 31st: Gains and Losses from Trade in the Specific Factors Model

Readings: Feenstra, Ch. 3.

"An Inconvenient Truth about Free Trade," by Peter Coy (Bloomberg News)

Week 4: Tuesday Feb 5th: Trade and Resources: The Heckscher-Ohlin Model

Thursday Feb 7th: Trade and Resources: The Heckscher-Ohlin Model

Week 5: Tuesday Feb 12th: Trade, Inequality and Reallocations.

Readings: Feenstra, Ch. 4

"The Rise of China and the Future of US Manufacturing" by Acemoglu et al

"David Autor on Trade, China, and US Labor Markets." PODCAST by EconTalk (mp3 file).

Thursday Feb 14th: Review

Week 6: Tuesday Feb 19th: Midterm #1

Thursday Feb 21st: Movement of Labor and Capital between Countries

Week 7: Tuesday Feb 26th: Movement of Labor and Capital between Countries

Readings: Feenstra, Ch. 5.

"How Immigration Can Benefit Native Workers," by Francesco D'Amuri and Giovanni Peri.

"The Immigration Equation," New York Times (OPTIONAL).

Thursday Feb 28th: New explanations for Trade: Firm Specific Effects.

Week 8: Tuesday March 5th: Increasing Returns to Scale and Monopolistic Competition.

Thursday March 7th: Increasing Returns to Scale and Monopolistic Competition.

Week 9: Tuesday March 12th: Increasing Returns to Scale and Monopolistic Competition.

Readings: "Firms in International Trade," by Andrew Bernard, Brad Jensen, Stephen Redding and Peter Schott.

Readings: Feenstra, Ch. 6.

"The Long and Short of the Canada-US Free Trade Agreement," by Daniel Trefler.

Thursday March 14th: Offshoring and Global Value Chains

SPRING BREAK: MARCH 16-24.

Week 10: Tuesday March 26th: Offshoring and Global Value Chains

Thursday March 28th: Offshoring and Global Value Chains

Feenstra, Ch. 7.

"Unwinding NAFTA," by Neil Irwin (NYT).

"No gain without pain: Antidumping protection hurts exports," by Vandebussche and Konings.

"Endogenous Skill Acquisition and Export Manufacturing in Mexico," by David Atkin (OPTIONAL)

Week 11: Tuesday April 2nd: Review

Thursday April 4th: Midterm #2

Week 12: Tuesday April 9th: Wage Inequality/Poverty and Trade

Readings: Readings from Pinelopi Goldberg and Nina Pavcnik: Trade and Inequality.

Thursday April 11th: Import Tariffs and Quotas under Perfect Competition

Readings: Feenstra, Ch. 8.

"What the Public Should Know about the WTO" by Alan Deardorff and Robert Stern (pages 12-20 only).

"Has the Developed World Stopped Waging Trade Wars?" Washington Post.

Week 13: Tuesday April 16th: Import Tariffs and Quotas

Thursday April 18th: Imperfect competition, Price Discrimination and Dumping

Readings: Feenstra. Ch. 9

"Import protection update: Anti-dumping, safeguards, and temporary trade barriers through 2011," by Chad Bown

"Trade Talks Podcast," by PIIE.

Week 14: Tuesday April 23rd: Imperfect competition, Price Discrimination and Dumping

Thursday April 25rd: Domestic Policies/Why International agreements?

Week 15: Tuesday April 30th: TBA

Thursday April 30th: Topics TBA

Readings: Feenstra, Chs. 10 and 11.

"From China, an end run around US tariffs," by the Washington Post.

FINAL EXAM: Thursday May 2nd