

Economics 4510: International Trade Theory and Policy

Objectives: To understand the basic economic theories of international trade, the empirical evidence that supports them, the international trade regime, and related labor, environmental, and development policy issues.

Prerequisites

The prerequisites for the class are Economics 3030 Intermediate Microeconomic Theory and Economics 3040 Intermediate Macroeconomic Theory, or written permission of the instructor.

Texts

The text we will be using is Feenstra and Taylor's *International Trade* (fourth edition) with LaunchPad access. The class is participating in the bookstore's Instant Access program, so you will be automatically signed up for online access for a discount and can unenroll at any point before the drop date. It is not required, but you are encouraged to purchase a subscription to the *Wall Street Journal*. We will be reading articles that will be available as links from the course BlackBoard site.

Office Hours

My office hours will be held in Uris 484 on Wednesdays from 10:45 to 11:45 am and 1:30 to 2:30 pm, and by appointment if you cannot make those times. If you would like to set up an appointment, please send me an email at gb293@cornell.edu listing three or four times you are available over the following several days so that I can choose one. If you would like me to write a letter of recommendation for you for jobs, graduate school, or the like, please do stop by office hours so that my recommendation can be both more substantive and personal. There will be additional office hours before the examinations.

Note to students with disabilities: If you have a disability-related need for reasonable academic adjustments in this course, provide me with an accommodation letter from Student Disability Services. Students are expected to give two weeks' notice of the need for accommodations. If you need immediate accommodations, please arrange to meet with me within the first two class meetings.

Grading

Grades are based on class participation, reading responses, online problem sets, two preliminary examinations, and a final examination.

Class Participation. You will be expected to attend class and to actively participate in class discussions. There will be occasional in-class writing assignments that will not be separately graded but will be considered part of class participation. Class participation will be 10% of the course grade.

Reading Responses. The six written responses will allow you to reflect on selected readings and to consider them using the tools and concepts developed in the course. While you will be encouraged to consider specific questions, generally your response should address whether the reading addresses the relevant issues appropriately from an economic perspective. In your response be sure to engage with the economic analysis and arguments in the reading. Ultimately, the question is whether you found the reading to be convincing. If not, explain why not. One way to do this is to talk about what you thought about the economic issues before reading the article and how the article changed how you think about it.

There is no formal page requirement for the responses, but I expect that you will need about two pages to explore your ideas. The responses will be due either the previous evening on the course website or at the start of class. In either case, you should bring a printed copy for your use and to be shared during our discussion of the article. Late submissions will not be accepted. Also, these are supposed to be your own responses to the readings, so students who discuss the assignment should take care to submit their own work. Grading for each will be on a check-plus (10), check (9), check-minus (7), and zero basis. Each response is worth 1.5% of the course grade.

Problem Sets. There will be nine problem sets collectively worth 10% of the course grade administered through the LaunchPad system. Unlike with the reading responses, you may work together on them, but all students must turn in their own work on the assignments. I understand that other commitments, illness, or personal issues may interfere with completion of an assignment. Thus, your lowest problem set grade will be dropped.

Examinations. The first preliminary examination will be given in class on September 28. The second preliminary examination will be given in class on November 7, with an emphasis on material since the first preliminary examination. Each preliminary examination is worth 20% of the course grade. If you have an excused absence and cannot take a preliminary examination, you must let me know in advance that you will not be taking it, and you also must provide documentation. Additional weight will be put on the other preliminary examination and on the final examination in cases of excused absence.

The final examination will be December 9th from 9:00 to 11:00 am. It is worth 31% of the course grade. *If you know you will be unable to take the final examination during any of those days, you should not enroll in the course.* The final examination will cover material

for the entire course, with a greater weight on material since the second preliminary examination. *Please note that students are expected to remain in the examination room during all examinations.* If you have a medical or other reason why you are not able to do so, please let me know as soon as possible.

While the exams are written with the expectation that at least a few students will answer all of the questions correctly, typically many students receive raw scores that are low. This should not necessarily be an issue of concern. When the examinations are graded, the raw scores are converted to numeric grades that are used to calculate course grades. Final grades follow the 100 point scale of A 94-100, A- 90-94, B+ 87-90, B 83-87, B- 80-83, *etc.* Grades of A+ are not awarded formulaically but based on overall performance in the class.

Category	Percentage of Grade
Class Participation	10%
Reading Responses	9%
Problem Sets	10%
First Preliminary Examination	20%
Second Preliminary Exam	20%
Final Examination	31%

University Policy, Academic Integrity and Code of Conduct

Together with all the members of this Department, I respect and uphold University policies and regulations pertaining to racial or ethnic discrimination, sexual harassment, assistance available to handicapped, visually and/or hearing impaired students, the observation of religious holidays, and plagiarism. All students are advised to become familiar with the respective University regulations and are encouraged to bring any questions or concerns to my attention.

This course follows both Cornell's Code of Academic Integrity (<http://cuinfo.cornell.edu/Academic/AIC.html>) and Cornell's Code of Campus Conduct (<http://www.dfa.cornell.edu/treasurer/policyoffice/policies/volumes/governance/campuscode.cfm>). Violations will be taken seriously. Students tend to be most tempted to violate these codes when they are concerned about their course grade. If you are concerned to that degree, please talk to me or an academic advisor.

Please note that videotaping, photographing, audiotaping, or otherwise making any picture or sound recording of an instructor is not permitted without the instructor's written consent. Failure to comply with this rule is a violation of Cornell's Campus Code of Conduct. Moreover, students are not authorized to replicate, reproduce, copy or transmit such materials, or "derivative" materials, including class notes, for sale or general distribution to others without the written consent of the faculty, academic staff member, or class participant who is the original source of such materials; and that Violations of the above constitute academic misconduct as described in the Code of Academic Integrity.

Course Outline

Note: Additional readings will be added in the final version of the syllabus.

I. Introduction

Lecture 1 (8/22) Syllabus, Concepts, Toxic Memo

II. Factor Models

Lecture 2 (8/24) Ricardian Model

Reading: FT 2

Lecture 3 (8/29) Ricardian Model

Lecture 4 (8/31) Specific Factors Model

Reading: FT 3

Lecture 5 (9/5) Specific Factors Model

Readings: Mankiw and Reinhardt

Response 1 due.

Chapters 1, 2 PS due 9/6

Lecture 6 (9/7) Heckscher-Ohlin Model

Reading: FT 4

Lecture 7 (9/12) Heckscher-Ohlin Model

Chapters 3, 4 PS due 9/13

Lecture 8 (9/14) Migration I

Reading: FT 5

Lecture 9 (9/19) Migration II

Chapter 5 PS due 9/20

Lecture 10 (9/21) Article Discussion

Readings: Driskill and Samuelson

Response 2 due.

Lecture 11 (9/26) Review

Lecture 12 (9/28) Preliminary Examination I

III. Imperfect Competition and Trade Policy

Lecture 13 (10/3) Monopolistic Competition I

Reading: FT 6

Lecture 14 (10/5) Monopolistic Competition II

Lecture 15 (10/12) Monopolistic Competition III

Readings: Krugman and Blinder

Response 3 due.

Lecture 16 (10/17) Tariffs with Perfect Competition

Reading: FT 8.1-8.4

Chapter 6 PS due 10/18

Lecture 17 (10/19) Quotas with Perfect Competition

Reading: FT 8.5-8.6

Lecture 18 (10/24) Tariffs and Quotas with Monopolies

Reading: FT 9.1-9.2

Chapter 8 PS due 10/25

Lecture 19 (10/26) Market Access and Unfair Trade

Reading: FT 9.3-9.5

Lecture 20 (10/31) Article Discussion

Readings: WTO, Rodrik, Rivoli (e-reserve)

Response 4 due.

Chapter 9 PS due 11/1.

Lecture 21 (11/2) Review

Lecture 22 (11/7) Preliminary Examination II

IV. Trade Policy Issues: Subsidies, Labor, Development, and the Environment

Lecture 23 (11/9) Export and Production Subsidies

Reading: FT 10.1-10.4

Lecture 24 (11/14) Export Tariffs and Quotas and Strategic Interaction

Reading: FT 10.5-10.8

Chapter 10 PS due 11/15.

Lecture 25 (11/16) International Agreements
Readings: FT 11.1-11.2, WTO

Lecture 26 (11/21) Labor and Environmental Issues
Readings: FT 11.3-4, Brown *et al.*, and Gallagher
Response 5 due.

Chapter 11 PS due 11/22.

Lecture 27 (11/28) Trade and Development
Readings: Lipton and Rodrik
Response 6 due.

Lecture 28 (11/30) Review

Final Examination December 9th, 9:00 to 11:00 am.