



Econ 4210.100

International Trade

Fall 2021

SYLLABUS

Instructor	Professor Kerem Cosar Monroe Hall Room 242 kerem.cosar@virginia.edu www.keremcosar.com
Lecture	Tue/Thu 2-3:15 pm
Office hours	Tue/Thu 3:30-4:30 pm
Course webpage	UvaCollab, 21F ECON 4210
Teaching assistant	TBA
TA office hours	TBA
Discussion sessions	Monday 6-7 pm, 7-8 pm [Please attend the session you are registered.]

Learning objectives and skills

This course examines microeconomic aspects of international trade. At the end of it, you should have an understanding of international trade which will allow you to analyze current issues that are publicly discussed. Note that important aspects of the international economy, exchange rates and financial markets, are *not* covered in this course [to learn about these topics and to complete a sequence in international economics, you may also want to take Econ 4220, International Finance and Macroeconomics]. Specific objectives of Econ 4210, and knowledge points/skills you will acquire by taking it include the following:

Objectives:

- Understanding international economic interactions in a broad context
- Understanding causes and consequences of international trade
- Forming an informed perspective for the public debate on globalization

Knowledge:

- Why do countries trade?
- What are the various reasons allowing countries to exchange products and services in a mutually beneficial way?
- How is inter-national trade different from internal, intra-national trade?
- Who gains and who loses from international trade?
- Why do governments engage in policies affecting international trade?
- How do these policies affect international trade?

- Why do countries negotiate and sign free trade agreements?
- What role does the World Trade Organization play? How does it function?
- How does import competition, export and investment opportunities affect firms?
- Why do multinational companies exist? How do they function?
- Is multinational production complementary or substitutable to international trade?
- How are multinational companies taxed?

Skills:

- Graphical and mathematical analysis
- Problem solving methods as applied to economic theory
- Ability to apply analytical tools to economic concepts and ideas
- Critical thinking and logic

Prerequisites

If you haven't taken Econ 3010 or 3110 (Intermediate/Mathematical Microeconomics), you will find it *very hard* to follow this course. In various sections of the course, I simply assume that you know certain concepts from intermediate micro and build upon them.

Course material

There is no course book. Required and optional readings for each meeting are posted under Resources in Collab. I will put *International Economics* (4th edition) by Feenstra and Taylor (**FT**) to the library reserves. It covers some but not all of topics that we will discuss in class. The pdf file posted in Collab highlights which chapters are relevant for you. Note that I will assume knowledge of basic concepts from Intermediate Microeconomics. Based on that understanding, lecture notes will be self-contained. But if you would like to refer to a book for details, you can use **FT** in the Clemons library.

There will also be supplementary optional readings from the book *Understanding Global Trade* by Helpman which is available as free ebook through the library link in Collab Readings section.

Course requirements and grading

- (i) Quizzes (20%)
- (ii) Four assignments (40%)
- (iii) Midterm and final exams (20% each)
- (iv) Filling out the teaching evaluation (1% bonus)

Quizzes

There will be weekly short online quizzes based on the material covered that week. They will become accessible in Collab on Thursdays after class and remain available until the end of that weekend. Each student will have one attempt to take it in one sitting.

Assignments

Assignments involve problem solving, data analysis and essays. They will be rigorous and challenging. You have the option to work with a classmate and submit as a group of two. All assignments will be submitted electronically through Gradescope. For further details and hints, please read the instructions in each assignment.

Mid-term and final examinations

Both the mid-term and the final will involve problem solving and short essays. The midterm will be given during class hours on Tuesday, October 19th.

Re-grade policy

Assignments and exams will be graded by the teaching assistant. Grades assigned by the TA are not subject to appeal unless an error was made by the TA (in other words, please don't argue about how many points you think you should have received on a given problem). Your work is expected to be neat and legible. If the TA finds your work too sloppy and/or illegible, points will be taken off (specifics in the assignments themselves). Before an appeal, check your answers against the correct solutions as provided by your TA in discussion sessions.

Honor policy

I trust every student in this course to fully comply with all of the provisions of the honor code, which is an institution that provides important benefits to all of us. On every submission, having your name implies that you "Pledged": on assignments and the final project, it is expected that you will neither receive nor give direct aid except within your own group. Your work is expected to be original, non-plagiarized work.

All alleged honor violations brought to my attention will be forwarded to the Honor Committee. If, in my judgment, it is beyond a reasonable doubt that a student has committed an honor violation on an exam or homework assignment, that student will receive an immediate grade of zero for that exam or assignment, regardless of any subsequent action taken by the Honor Committee.

Lecture topics and outline

Readings associated with each topic are in Collab *Resources/Readings*.

- **Introduction (1st day of class)**
 - Course logistics
 - Key concepts and historical background
 - A motivating case study: “*The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807-09*”
- **Understanding the trade war**
 - Implications of the trade war on consumers and producers
 - Commercial policies: tariffs and trade agreements
 - Understanding the institutions of commercial policy in the US and globally
- **Sources of trade I: countries and comparative advantages**
 - Technology and the Ricardian model
 - Endowments and the Heckscher-Ohlin model
- **Sources of trade II: firms and imperfect competition**
 - Oligopolistic firms
 - Monopolistically competitive firms
 - Further gains from trade: reallocation between firms
- **Distributional impact of trade: who gains and who loses?**
 - When factors of production are immobile
 - When factors of production are mobile across sectors & regions
 - Further aspects of globalization: labor and capital mobility across countries

MIDTERM

- **Multinational firms**
 - Horizontal and vertical foreign direct investment
 - Taxation in a global economy: corporate tax systems, tax competition and transfer pricing
- **Openness and economic growth**
 - How to measure openness?
 - Are more open countries more prosperous? Do they grow faster?
- **Trade and the environment**
 - Is globalization good or bad for the environment?
 - Pollution haven hypothesis
 - Carbon Border Adjustment Mechanism
- **Trade and geopolitics**
 - Is mutual dependency a boon or a bane?
 - Does globalization reduce the risk of conflict?
 - How will Covid-19 change globalization?