



# Econ 4210.100

## International Trade

### Spring 2018

### SYLLABUS

<b>Instructor</b>	Associate Professor Kerem Cosar Monroe Hall Room 242 kerem.cosar@virginia.edu www.keremcosar.com
<b>Lecture</b>	Tue/Thu 3:30-4:45 pm, Monroe Hall 124
<b>Office hours</b>	Wednesday 1-3 pm or by appointment
<b>Course webpage</b>	UvaCollab, 18Sp ECON 4210 / Cosar
<b>Teaching assistant</b>	Devaki Ghose,
<b>TA office hours</b>	TBD
<b>Discussion sessions</b>	Friday 9-9:50am, Monroe 118 Friday 10-10:50am, Monroe 238 There will <b>not</b> be a discussion session every Friday. Scheduled dates will be announced in class/by email and marked at the Collab Calendar.

#### 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**

**Required textbook:** *International Trade*, by Robert Feenstra and Alan M. Taylor, 3<sup>rd</sup> or 4<sup>th</sup> edition

**Supplementary book:** *Understanding Global Trade*, by Elhanan Helpman (available as free ebook through the library link, see the Readings section in Collab)

Slides will be posted in UVaCollab prior to each lecture. They contain material beyond what is in the book. You are strongly encouraged to take print-outs prior to each lecture so that you can follow along and take notes on your copy of slides. I will *not* bring printouts to class. Posted lecture slides do not contain all the material which will be discussed in class: I use the board for some derivations and graphs, and bring up some topics for discussion, so failure to attend lectures means that you are guaranteed to miss important material.

### **Course requirements and grading**

- (i) Assignments (30%)
- (ii) Mid-term exam (30%)
- (iii) Final exam (40%)
- (iv) Filling out the teaching evaluation (1% bonus)

### **Assignments**

There will be **six assignments**. These are an essential part of the learning process: they will 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. For further details and hints, please read the instructions in each assignment.

I will drop the lowest grade among the assignments, i.e., if you cannot submit one of the assignments for whatever reason, that one won't count.

Copying homework from other students will be regarded as an honor violation.

## **Exams**

Exams will consist of multiple choice and analytic questions, with most of the weight on the latter. The final exam will cover the entire semester, but most weight will be given to topics covered after the midterm. If you miss the mid-term with a valid reason (as defined by the university) and documentation, its weight will be shifted to the final exam.

## **Re-grade policy**

Homeworks 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.

Any re-grade requests for the exams must be written, and must give substantive reasons why specific questions were graded improperly. I will re-grade the *entire* exam and provide a response within one week. The scores may go up or down or remain unchanged as a result of the re-grade. The re-grade outcome is then final.

## **Exam and other accommodations**

All students with special needs requiring accommodations should present the appropriate paperwork from the Student Disability Access Center (SDAC) to the instructor. It is the student's responsibility to present this paperwork in a timely fashion and follow up with the instructor about the accommodations being offered. Accommodations for test-taking (e.g., extended time) should be arranged with the instructor at least seven days before each exam.

Audio/video recording of lectures is *not* allowed. Please see university guidelines [here](#).

## **Class-room etiquette**

Silence and put away all cell phones. If you take/make a call during the class, I will ask you to leave the lecture for that day.

Laptops/tablets are allowed, but I encourage you to follow the lectures without using them – printing the slides and taking notes on them/on paper is the most effective way of learning. If you prefer to use technology, I expect you *not* to multi-task on it in a way that is distracting for others. If I notice you excessively typing and messaging, visiting websites with moving images or videos, I will ask you to leave the lecture for that day.

## **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 exam and problem set, having your name implies that you "Pledged": on exams, it is expected that you will neither receive nor give aid, nor access any material other than a non-programmed calculator. Your paper 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

Whenever a topic in the syllabus is covered in one of the two course books, the relevant chapter is referenced in parenthesis below. You are strongly encouraged to read these before class. **FT** refers to the *Feenstra and Taylor* book, and **H** refers to the *Helpman* book. Absence of a reference to either book implies that they do not cover the topic. Check *Resources/Readings* in Collab for additional required and optional readings. More articles may be assigned throughout the semester. I will either announce and post these in advance, or bring them to class for discussion. Also, while this is the general template of the course, I may insert mini-lectures on topics relevant to current events as we proceed.

### **1<sup>st</sup> day of class: Introduction**

- Course logistics
  - Key concepts and historical background
  - A motivating case study: “*The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807-09*” (required reading)
- **Sources of trade: countries and comparative advantages**
    - Technology and the Ricardian model (FT chapter 2, H chapter 2 intro and 2.1)
    - Endowments and the Heckscher-Ohlin model (FT chapter 4.1-4.2)
  - **Distributional impact of trade: who gains and who loses?**
    - When factors of production are immobile (FT chapter 3, H chapter 3.3 and 3.4)
    - When factors of production are mobile (FT chapter 4.3)

### ***MID-TERM EXAM (in-class, March 15)***

- **Sources of trade: firms and imperfect competition**
  - Oligopolistic firms
  - Monopolistically competitive firms (FT chapter 6.1-6.2)
  - Further gains from trade: reallocation between firms
- **Multinational firms**
  - Horizontal and vertical foreign direct investment
  - Taxation in a global economy: corporate tax systems, tax competition and transfer pricing
- **Trade policy** (FT chapters 8 and 9)
  - Commercial policy tools
  - Countries with and without market power
  - Trade agreements and institutions

### Time permitting

- Empirical studies of trade
- Openness and economic growth