

# Wesleyan University

## ECON 371: International Trade

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Office: 318 High St, Room 310

Fall 2023, TR 2:50-4:10pm, SCIE339  
Office Hours: T 10-11, R 11-12,  
or by appointment

This course examines the causes and consequences of cross-border flows of goods and services. We will investigate different theories of international trade and discuss the empirical validity of their predictions. Particular emphasis will also be placed on the motives for countries to restrict or regulate trade, and the institutional arrangements governing the world trading system. Moreover, we will discuss how trade between countries can shape economic development.

In addition to the use of a standard textbook, we will work through a number of journal articles and policy papers to obtain a deeper understanding of current events in the world economy. Over the course of the semester, we will discuss numerous controversial issues with regard to international trade. Examples include trade agreements and the impact of trade on wages, jobs and inequality.

### Prerequisites

Intermediate microeconomics (Econ 301) and a basic understanding of econometric techniques (Econ 300) are prerequisites for this course. Familiarity with microeconomic concepts such as utility and profit maximization will be assumed. The lectures, problem sets and exam will make regular use of algebra and calculus.

### Course Materials

Book: Robert C. Feenstra and Alan M. Taylor, *International Trade*, 5th edition (ISBN: 9781319218454)

Moodle: I will post additional readings (mostly journal articles and policy papers) and other course materials (problems sets, practice exams, etc.) on our Moodle course site during the semester, which you should check regularly.

In addition to completing the readings for the class, I also highly recommend that you follow current (international) economic events. Good sources of international economics news are *The Economist*, *The Wall Street Journal*, or the *Financial Times*. Reading the news is a good way to experience international trade 'in action' and to apply the concepts you learn in class to the real world. You can find links to current subscription offers on the Moodle course site. The full online content of the WSJ, FT and The Economist can also be accessed free of charge through the [library](#).

## Course Requirements

There will be one exam, a group presentation, a final paper, and problem sets. The weights of the different elements for the final course grade are:

- Problem sets (10%): There will be four problem sets over the semester. Each of them will be assigned one week before the due date. Late problem sets will not be accepted, and no extensions will be granted. You are encouraged to work together on the problem sets. However, I require an individual write-up by each student.
- Exam (30%): Tentatively scheduled for Tuesday, November 28.
- Paper (30%): Students will be required to write a term paper. Detailed information on the term paper requirements and topics will be distributed after the first two weeks of the semester. At the end of the semester, each student will present their topic to the class.
- Group presentation (15%): Groups of 2-3 students will present one published research paper from the international trade literature. I will distribute a list with papers to choose from in the first week of the semester.
- Class participation (15%): I highly value class participation and encourage you to raise questions and to comment on level, pace and the content of the course during the semester. In addition, I will frequently open up topics for discussion. General guidelines for your class participation grade: frequent absences (or tardiness): *C*, demonstration of good understanding of material through occasional participation in class discussion: *B*, frequent participation in class discussion and raising insightful questions: *A*.

## Class Organization

You are responsible for completing all assigned readings before coming to class. This course covers a lot of ground and it will be impossible to discuss every important point in lecture. Reading the textbook and other assigned materials is therefore critical to developing a good understanding of the course material. In the lectures, we will also frequently extend the material beyond what you find in the textbook, which requires prior familiarity with the assigned readings.

In order to not divert my or the attention of your classmates, the use of cell phones is not permitted during class time. You are allowed to use laptops or tablets to access class materials or take notes. However, any other usage is not permitted to minimize distractions for others in the classroom. Violations of this policy will lower your class participation grade.

Wesleyan University is committed to ensuring that all qualified students with disabilities are afforded an equal opportunity to participate in, and benefit from, its programs and services. To receive accommodations, a student must have a disability as defined by the ADA. Since accommodations may require early planning and generally are not provided retroactively, please contact Accessibility Services as soon as possible. If you have a disability, or think that you might have a disability, please contact [Accessibility Services](#) in order to arrange an appointment to discuss your needs and the process for requesting accommodations. Accessibility Services is located in

North College, rooms 021/022, or can be reached by email (accessibility@wesleyan.edu) or phone (860-685-2332).

## Tentative Course Schedule\*

Note: FT=Feenstra and Taylor (5<sup>th</sup> edt)

| Class       | Date         | Reading                       | Topic                          | Notes    |
|-------------|--------------|-------------------------------|--------------------------------|----------|
| 1           | 09/05        | FT 1                          | I. Introduction                |          |
| 2           | 09/07        | FT 2                          | II. Neoclassical Trade Theory  |          |
| 3           | 09/12        | Costinot and Donaldson (2012) |                                |          |
| 4           | 09/14        | FT 3                          |                                |          |
| 5           | 09/19        | FT 4.1-4.2                    |                                | PS 1 due |
| 6           | 09/21        | FT 4.4                        |                                |          |
| 7           | 09/26        | FT 6.1-6.2                    | III. New Trade Theory          |          |
| 8           | 09/28        | Bernhofen and Brown (2005)    | IV. Trade Policy               |          |
| 9           | 10/03        | FT 8.1-8.4                    |                                |          |
| 10          | 10/05        | Mayda and Rodrik (2005)       |                                |          |
| 11          | 10/10        | FT 8.5-8.6                    |                                | PS 2 due |
| 12          | 10/12        | Pierce and Schott (2016)      |                                |          |
| 13          | 10/17        | FT 9.1-9.3                    |                                |          |
| 14          | 10/19        | Amity et al. (2019)           |                                |          |
| 15          | 10/26        | Rose (2004)                   | V. Trade Agreements            |          |
| 16          | 10/31        | FT 11.1-11.2, Ossa (2015)     |                                | PS 3 due |
| 17          | 11/02        | Head et al. (2010)            |                                |          |
| 18          | 11/07        | Frankel and Romer (1999)      | VI. Trade and Development      |          |
| 19          | 11/09        | Feyrer (2019)                 |                                |          |
| 20          | 11/14        | FT 9.4                        |                                |          |
| 21          | 11/16        | Nunn (2008)                   |                                |          |
| 22          | 11/21        | Exam review                   |                                | PS 4 due |
| <b>Exam</b> | <b>11/28</b> |                               |                                |          |
| 23          | 11/30        |                               | VII. Final Paper Presentations |          |
| 24          | 12/05        |                               |                                |          |
| 25          | 12/07        |                               |                                |          |

\*Subject to change. Check regularly for an updated version on Moodle.

## Grading and Exams

In the case of serious illness or some other emergency, students may ask, in advance, for permission to take the exam at a later date. If you are not able to make it to the exam due to a serious reason, you have to inform me as soon as possible. In order to be eligible to reschedule the exam, you must provide proper valid documentation, such as a doctor's note.

In case you believe a grading mistake has been made on a problem set or the exam, you may submit a written request for a re-grade within one week after the assignment was returned. As a result of a re-grade, your grade can go up, down, or stay the same. In line with [FERPA](#) regulations, no grading

information will be shared via email. In case of grading questions, students are encouraged to attend office hours.

## Honor Code

I expect you to adhere to the [Wesleyan University Honor Code](#). All submitted work, whether it is an exam, problem set or your final research paper, must be your own. Although I encourage you to work together on problem sets, I require an individual write-up by each student and I will not tolerate if you copy others' work. Any academic dishonesty will be reported to the Vice President for Student Affairs and the Student Honor Board.

## Additional Readings (all available on Moodle): \* indicates required reading

### I. Introduction

\*Irwin, Douglas A. (2020), "Introduction" in *Free Trade Under Fire*, 5th edition, p. 1-10, Princeton, NJ: Princeton University Press.

### II. Neoclassical Trade Theory

\*Bernhofen, Daniel M. and John C. Brown (2005), "An Empirical Assessment of the Comparative Advantage Gains from Trade: Evidence from Japan," *American Economic Review*, 95(1), 208-225.

\*Costinot, Arnaud and Dave Donaldson (2012), "Ricardo's Theory of Comparative Advantage: Old Idea, New Evidence," *American Economic Review Papers and Proceedings*, 102 (3), 453-458.

\*Mayda, Anna Maria and Dani Rodrik (2005), "Why Are Some People (and Countries) More Protectionist Than Others?" *European Economic Review*, 49(6), p. 1393-1430.

Autor, David H., David Dorn and Gordon H. Hanson (2013), "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review*, 103(6), 2121-2168.

Eaton, Jonathan and Samuel Kortum (2012), "Putting Ricardo to Work," *Journal of Economic Perspectives*, 26(2), 65-90.

Leamer, Edward E. (1980), "The Leontief Paradox, Reconsidered," *Journal of Political Economy*, 88 (3), 495-503.

### III. New Trade Theory

Krugman, Paul R. (1979), "Increasing Returns, Monopolistic Competition, and International Trade," *Journal of International Economics*, 9(4), 469-479.

Krugman, Paul R. (1980), "Scale Economies, Product Differentiation, and the Pattern of Trade," *American Economic Review*, 70(5), 950-959.

Melitz, Marc J. and Daniel Trefler (2012), “Gains from Trade when Firms Matter,” *Journal of Economic Perspectives*, 26(2), 91-118.

#### **IV. Trade Policy**

\*Amity, Mary, Stephen J. Redding and David E. Weinstein (2019), “The Impact of the 2018 Tariffs on Prices and Welfare,” *Journal of Economic Perspectives*, 33(4), 187-210.

\*Pierce, Justin R. and Peter K. Schott (2016), “The Surprisingly Swift Decline of US Manufacturing Employment,” *American Economic Review*, 106(7), 1632-1662.

Fetzer, Thiemo and Carlo Schwarz (2021), “Tariffs and Politics: Evidence from Trump’s Trade Wars,” *The Economic Journal*, 131(May), 1717-1741.

Irwin, Douglas A. (1998), “The Smoot-Hawley Tariff: A Quantitative Assessment,” *The Review of Economics and Statistics*, 80(2), 326-334.

Irwin, Douglas A. (2020), “Protectionism: Economic Costs, Political Benefits?” Ch. 3 in *Free Trade Under Fire*, 5th edition, p. 84-118, Princeton, NJ: Princeton University Press.

#### **V. Trade Agreements**

\*Head, Keith, Thierry Mayer and John Ries (2010), “The Erosion of Colonial Trade Linkages After Independence,” *Journal of International Economics*, 81(1), p. 1-14.

\*Ossa, Ralph, “WTO Success: No Trade Agreement But No Trade War,” *VoxEU.org*, June 11, 2015.

<http://voxeu.org/article/wto-success-no-trade-agreement-no-trade-war>

\*Rose, Andrew (2004), “Do We Really Know That the WTO Increases Trade?” *American Economic Review*, 94(1), p. 98-114.

Baldwin, Richard (2016), “The World Trade Organization and the Future of Multilateralism,” *Journal of Economic Perspectives*, 30(1), p. 95-116.

#### **VI. Trade and Economic Development**

\*Feyrer, James (2019). “Trade and Income – Exploiting Time Series in Geography,” *American Economic Journal: Applied Economics*, 11(4), 1-35.

\*Frankel, Jeffrey A. and David Romer (1999). “Does Trade Cause Growth?” *American Economic Review*, 89(3), p. 379-399.

\*Nunn, Nathan (2008). “The Long-term Effects of Africa’s Slave Trades,” *The Quarterly Journal of Economics*, 123(1), p. 139-176.

Irwin, Douglas A. (2019), “Does Trade Reform Promote Economic Growth? A Review of Recent Evidence,” *Working Paper 19-9*, Washington, DC: Peterson Institute for International Economics.

Rodrik, Dani, Arvind Subramanian and Francesco Trebbi (2004). "Institutions Rule: The Primacy of Institutions Over Geography and Integration in Economic Development," *Journal of Economic Growth*, 9(2), p. 131-165.