

Econ 490 - International Trade

University of Illinois at Urbana-Champaign

Department of Economics

Spring 2020

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Class Hours: MW 9:30 AM - 10:50 AM
209 DKH

Web: <https://compass2g.illinois.edu>

Office Hours: MW 10:50 AM - 11:50 AM
15 DKH

Course Description

This course is about the causes and consequences of the international trade of final goods, services, and production inputs. Throughout the course, we will cover the main topics related to international trade that are at the center of public debate. This course is designed to teach students to use critical thinking on international trade issues within formal economic frameworks.

Students will learn to apply microeconomic theory to international trade issues discussed by policymakers and media outlets: What are the benefits and costs of trade? What are the effects of trade policies, such as tariffs and quotas? Should developing countries protect their domestic markets? What is the role of international institutions such as the World Trade Organization? What products are traded? Who trades them? At what quantities and prices are they sold?

Materials:

The classes will be based on the following books whose reading are strongly recommended. Earlier editions are acceptable. Their online platforms will not be used.

- Paul Krugman, Maurice Obstfeld, and Marc Melitz. *International Trade: Theory and Policy*. 11th Edition - Pearson, 2018.
- Robert Feenstra and Alan Taylor. *International Trade*. 4th Edition - Macmillan, 2017.

Additional Readings

- Doug Irwin. *Free Trade Under Fire*. 4th Edition - Princeton University Press, 2015.
- Elhanan Helpman. *Understanding Global Trade*. Harvard University Press, 2011.

Course Grade:

20% - Homework 15% - Report
 20% - Midterm 1 25% - Final Exam
 20% - Midterm 2

The Homework should be completed and submitted online through the course portal at Moodle (<https://learn.illinois.edu>). Late assignments will receive no credit. The homework portion of your grade will be the average of all your assignment scores with the lowest grade dropped. During the exam there are to be no books, papers, cell-phones or other items that connect to the internet. Students found to be using unapproved items are in violation of the Academic Integrity policy of the University and will be subject to disciplinary action. The following cutoffs will be used for the letter grades:

A+ = 97% - 100% B+= 87% - 89.99% C+=77%-79.99% D+=67% - 69.99% F = <59.99%
 A = 93% - 96.99% B=83% - 86.99% C=73%-76.99% D=63%-66.99%
 A- = 90% - 92.99% B-=80%-82.99% C-=70%-72.99% D-=60%-62.99%

Exams

This course includes 2 Midterms and one Final Exam. The dates and location of the exams are summarized below:

Table 1: Exams: Schedule and location

| Exam | Date and Time | Material | Location |
|-----------|---------------|---------------|----------|
| Midterm 1 | February 26 | Weeks 1 to 6 | 209 DKH |
| Midterm 2 | April 22 | Weeks 7 to 11 | Moodle |
| Final | May 12 | All material | Moodle |

Missed Exams

The students must present a letter from the Dean Office justifying their absence, otherwise, the student will have zero on the missed exam. In the event that a student misses one of the first two midterm exams, the score from the final exam will be used on the missed exam. There are no make-up exams. In the event that a student misses a second in-term exam, the instructor reserves the right to give the student a zero on that exam.

Report

The purpose of this report is for you to gain experience in writing and applying the models and concepts taught in this class to a topic of interest to you. The challenge is to coherently organize your thoughts and the evidence from the literature and to support your arguments with real evidence that is gleaned from the appropriate literature. You should cite appropriately and often. Ideally, your arguments and focus should be logical and your essay should reveal some of the complexity of the topic.

All written assignments will be evaluated for both content and form. The report should start with an introduction to capture the reader's interest and place the topic. If possible, add a review of the relevant literature. Next, the report should outline the key points, theoretical issues, trade patterns, or other issues surrounding the debate. This would be followed by a discussion of the findings or empirical evidence. The conclusion should summarize the report and point out directions for further work or related issues. At the end of the report, please include all the references used to support the discussion.

Attendance/Participation

Active participation is vital to your success in this course. Dialogue is not only strongly encouraged, it is critical to your understanding of the material. Vocalizing your questions often helps you solidify what you do and do not understand. It also provides your instructors with important feedback on the areas in which we need to spend more time. During the lecture, the instructor will encourage questions and will solicit input.

Schedule and Course Outline

Table 2 presents the outline of the material we plan to cover in this course. The outline is subject to change at the Instructor's discretion, and information on these changes will be provided in class.

Table 2: Course Outline

| Topic | References |
|--|-----------------|
| Introduction and Overview of current Trade Issues. | KOM 1 & 2; FT 1 |
| The Ricardian Model | KOM 3; FT 2 |
| The Specific-Factors Model | KOM 4; FT 3 |
| The Heckscher-Ohlin Model | KOM 5; FT 4 |
| The Standard Model of Trade | KOM 6; FT 5 |
| External Economies of Scale | KOM 7; FT 6 |
| Firms and International Trade | KOM 8; FT 6 |
| Offshoring and Global Production Chains | KOM 8; FT 7 |
| Trade Policy | KOM 9; FT 8 & 9 |
| The Political Economy of International Trade | KOM 10; FT 11 |
| Topics in Trade Policy | KOM 12; FT 11 |

KOM - Krugman, Obstfeld, & Melitz. International Trade: Theory and Policy.

FT - Feenstra and Taylor, International Trade

Academic Assistance

Students are encouraged to utilize the many resources we have throughout campus to assist with academics. We recommend that you seek them out starting early in the semester, not just in times of academic need, in order to develop good study habits and submit work which represents your full academic potential. Many resources may be located on the Economics Website, including information about the Economics Tutoring Center and other tutoring centers: <https://economics.illinois.edu/academics/academic-student-support/academic-resources>

Academic Integrity

According to the Student Code, "It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions".

Academic dishonesty may result in a failing grade. Every student is expected to review and abide by the Academic Integrity Policies. Ignorance is not an excuse for any academic dishonesty. It is your responsibility to read this policy to avoid any misunderstanding. Do not hesitate to ask the instructor(s) if you are ever in doubt about what constitutes plagiarism, cheating, or any other breach of academic integrity. Read the full Student Code at the following URL: <http://studentcode.illinois.edu/>

Students with Disabilities

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call 333-4603 (V/TTY), e-mail (disability@illinois.edu) or visit www.disability.illinois.edu

Emergency Response Recommendations

Emergency response recommendations can be found here: <http://police.illinois.edu/emergency-preparedness>. I encourage you to review this website and the campus building floor plans website within the first 10 days of class. <http://police.illinois.edu/emergency-preparedness/building-emergency-action-plans>.

Family Educational Rights and Privacy Act (FERPA)

Any student who has suppressed their directory information pursuant to Family Educational Rights and Privacy Act (FERPA) should self-identify to the instructor to ensure protection of the privacy of their attendance in this course. See <http://registrar.illinois.edu/ferpa> for more information on FERPA. Student information and records will not be released to anyone other than the student, unless the student has provided written approval or as required by law.

Sexual Misconduct Reporting Obligation

The University of Illinois is committed to combating sexual misconduct. Faculty and staff members are required to report any instances of sexual misconduct to the University's Title IX and Disability Office. In turn, an individual with the Title IX and Disability Office will provide information about rights and options, including accommodations, support services, the campus disciplinary process, and law enforcement options.

A list of the designated University employees who, as counselors, confidential advisors, and medical professionals, do not have this reporting responsibility and can maintain confidentiality, can be found here: <http://www.wecare.illinois.edu/resources/students/#confidential>. Other information about resources and reporting is available here: <http://wecare.illinois.edu/>.

Student Support

- **The Counseling Center:** <https://counselingcenter.illinois.edu>

The Counseling Center is committed to providing a range of services intended to help students develop improved coping skills in order to address emotional, interpersonal, and academic concerns. Please visit their website to find valuable resources and services.

- **McKinley Mental Health:** <https://mckinley.illinois.edu/medical-services/mental-health>

The Mental Health Clinic at McKinley provides evaluations, consultations, and recommendations for subsequent treatment for a variety of emotional and behavioral difficulties. Short-term individual psychotherapy and medication treatments are provided when indicated. McKinley's staff of mental health professionals includes licensed psychiatrists, psychologists, a clinical nurse specialist and clinical social workers.

- **Emergency Dean:** <http://odos.illinois.edu/community-of-care/emergency-dean/>

The Emergency Dean may be reached at (217) 333-0050 and supports students who are experiencing an emergency situation after 5:00 pm, in which an immediate University response is needed and which cannot wait until the next business day. The Emergency Dean is not a substitute for trained emergency personnel such as 911, Police or Fire. If you are experiencing a life-threatening emergency, call 911. For emergencies that occur during business hours (Monday-Friday, 8:30 am-5:00 pm), students should call the Student Assistance Center at (217) 333-0050.

Academic Dates and Deadlines

Students should make note of important academic dates for making changes to their courses (add, drop, credit/no-credit, grade replacement, etc.). <https://registrar.illinois.edu/academic-calendars> Please check with your academic department regarding specific procedures and policies.