

International Trade 4357

Spring 2017

Instructor: Dr. James Lake

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Class meetings:

- Section 1: Monday, Wednesday, Friday 10-10:50am, Umphrey Lee 243
- Section 2: Monday, Wednesday, Friday 11-11:50am, Umphrey Lee 243

Office Hours: Monday 12-1pm, Wednesday 9-10am or by appointment. Umphrey Lee 301Z.

Prerequisite: Intermediate microeconomics

Course description

This course has four key objectives. First, an understanding of the economic theory behind why countries trade with each other. Second, an understanding of the distributional implications of international trade both within and across countries. Third, an understanding of how distributional implications can help explain why countries restrict trade. Fourth, an understanding of how economic theory and empirical evidence can shed light on popular mainstream controversies surrounding international trade.

Student learning objectives

- Demonstrate a strong ability to use economic theory to explain why countries engage in trade.
- Demonstrate a strong ability to analyze the distributional implications of international trade within countries using economic theory and empirical evidence.
- Demonstrate a strong ability to use economic theory and empirical evidence to explain how distributional implications can help explain why countries restrict trade between themselves.
- Demonstrate a strong ability to relate economic theory and empirical evidence to popular controversies surrounding international trade.

- Strengthen the ability to relate economic theory and empirical evidence to new problems, both abstract in nature and practical in nature.

Course requirements

To be successful in this course, you should:

- Attend class and participate in in-class quizzes.
- Ask questions either in class, via email, or during office hours to clarify misunderstandings of the material.
- Complete required readings and problem sets.
- Convey your understanding on two midterms and one final exam.

You are expected to demonstrate understanding of the material by applying ideas, concepts, and models learned in class and through the readings to new problems. This goes beyond a mere knowledge of definitions and ability to replicate what is done in class. The application of concepts and models requires you to carefully read the problem, identify which concept or model can be used to answer the problem, set up the solution based on the information contained in the problem, and finally solve the problem using this setup (i.e. by manipulating a model or using reasoning to find the answer).

Course resources that you need to purchase

Textbook

Ultimately, this is a decision left to the student. There is no required textbook and, thus, there is no textbook available in the bookstore.

One way to study for the course is by (i) reviewing lecture notes, (ii) completing and reviewing problem sets, (iii) completing assigned readings and associated out-of-class online quizzes and (iv) reviewing in-class quiz questions. Many students will find this approach sufficient.

However, some students will benefit from having a textbook to supplement these materials and clarify or present the lecture material in an alternative way. Interested students should refer to either *International Trade: Theory and Policy* or *International Economics: Theory and Policy*, both authored by Paul Krugman, Maurice Obstfeld and Marc Melitz (indeed, in past years this was the required textbook and so the in-class material will often follow the textbook). The former is merely the first (and only relevant) part of the latter. You will

only find the former in the 10th edition, but you will find the latter in earlier editions. I strongly recommend you use the 9th or 10th editions. You can find these new or used on Amazon or other standard online textbook websites. The 9th and 10th editions of the latter are also available on Fondren library reserve for 1 day loan.

Top Hat

Top Hat is an interactive in-class tool that will be used for two purposes:

- Taking attendance.
- As a means of reviewing material from previous classes, I will give quiz questions at the start of class using Top Hat. These quiz questions will be available for exam review purposes after class.

You will need to purchase access to Top Hat. You can do so by going to <https://app.tophat.com/register/student/> and entering the course code 939897 (10am section) or 551046 (11am section). The cost of Top Hat is \$24 for the semester.

You will need to bring some device each class in order to register your attendance and participate in any quiz questions asked of you during class. You can use a smartphone, laptop, iPad or regular cell phone for this purpose. There is a Top Hat app. You can also use a regular cell phone and text messaging. For this purpose, you should register your phone number during the initial registration process and save the Top Hat phone number in your phone as a contact.

Additional resources

We will use Canvas throughout this course.

- All problem sets and other course related material (including any additional readings) will be posted on Canvas.
- **I will not send class emails but will put all relevant information (e.g. announcements, assignments, additional information etc) on Canvas. It is your responsibility to sign up for Canvas announcements (which is easy to do).**

Course policies

Attendance

Attendance is required and expected. You are allowed up to and including six unexcused absences (e.g. weddings, family reunions, family birthdays). Upon your seventh unexcused absence, I will withdraw you from the class. If your seventh unexcused absence occurs after the final withdrawal date, you will get an F (last day for dropping a class is Tuesday April 11). Excused absences include those described below under University policies. They also include serious illnesses/personal issues that are documented by a licensed medical practitioner (including those at the Student Health Center on campus) or the Office of Academic Advising. They also include job interviews with appropriate documentation (e.g. the email confirmation you received from your potential employer about date and time).

It is **your responsibility** to register your attendance using Top Hat at the beginning of each class and monitor your attendance in Top Hat throughout the semester. If you come in late, please come and see me at the end of class. I will then instruct you to email me after class and then I can adjust your attendance manually in Top Hat. If you do not let me know you were late for class, and hence did not register your attendance, until weeks later then there is little chance I will remember and you will be marked absent (showing me class notes will not constitute “proof” of attendance). You can view your Top Hat attendance within Top Hat at any time.

See the Academic Dishonesty and the Course Grade sections of the syllabus for further information on attendance.

Use of laptops and other wireless devices in class

Use of laptops and other wireless devices (e.g. iPads, iPhones) is prohibited except for Top Hat purposes. Violation will result in you being asked to stop using such a device and, possibly, leave the classroom.

Late homework submissions

I will not accept any late submissions after the solutions have been posted. If you need an extension you should contact me ASAP in which case I will delay posting the solutions if you are granted an extension.

University policies

Disability Accommodations

Students needing academic accommodations for a disability must first register with Disability Accommodations & Success Strategies (DASS). Students can call 214-768-1470 or visit <http://www.smu.edu/Provost/ALEC/DASS> to begin the process. Once registered, students should then schedule an appointment with the professor as early in the semester as possible, present a DASS Accommodation Letter, and make appropriate arrangements. Please note that accommodations are not retroactive and require advance notice to implement

Religious Observance

Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)

Excused Absences for University Extracurricular Activities

Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)

Plagiarism and academic dishonesty

All students are expected to abide by the SMU honor code <http://smu.edu/honorcouncil/>, including those sections related to plagiarism. Plagiarism is a serious academic offense and ignorance is not an excuse. Further information regarding plagiarism can be found at <http://smu.edu/honorcouncil/othersites.asp>.

Blatant examples of academic dishonesty include:

- Submitting a replica of an another student's assignment or an assignment that is not your own work
- Submitting an assignment that contains replica parts of another student's assignment or an assignment that is not your own work

- Submitting an assignment containing information that has been “copied and pasted” from another source (e.g. internet) without citing the source
 - I will use TurnItIn in Canvas to automatically detect for situations of plagiarism
- Electronically registering attendance/quiz answers when not present in class and/or not present for the entire class
 - Randomly, I will take attendance manually
- Electronically transmitting attendance codes or quiz answers to someone outside of the classroom

Consequences of academic dishonesty include, but are not limited to, failure of the particular assessment task in question, receiving a D (no credit for major) or an F, and disciplinary referral to the SMU Honor council.

Course grade

- Written assignment (20%)

This assignment contains two components. The first component is worth 5% and the second is worth 15%. The assignment must be double spaced and typed in 11 point font with 1 inch margins. You should bring a hard copy to class and upload your assignment to Canvas in word or PDF form.

- First component (hard copy due in class on Monday 1/30 and electronic copy on Canvas by noon on Monday 1/30): In **no more than three pages**, clearly and concisely outline why you think international trade is beneficial or harmful to countries who engage in international trade. You do not need to refer to any material covered in class. Indeed, ideally, you will not refer to any material covered thus far.
- Second component (hard copy due in class on Monday 5/8 and electronic copy on Canvas by noon on Monday 5/8): In **no more than three pages**, use the economic theory and empirical evidence you have learned in class to revisit your arguments from the first component. You should use the economic theory and empirical evidence you have learned, and any limitations of the theory, to clearly and concisely justify your argument or revise your argument accordingly.

- Each part of the assignment is an essay and, thus, should be written accordingly. Key elements of an essay include:
 - * An introduction that clearly outlines the argument to be made in the rest of the essay
 - * Multiple paragraphs. Each paragraph should begin by outlining the main point of the paragraph (which is being used to support the argument outlined in the introduction) and then proceed to provide evidence in support of the main point.
 - * A conclusion that reinforces the argument of the paper
 - * Correct grammar and absence of spelling mistakes (use spellchecker)
- Regardless of your particular approach to the second component, the task is still to address the question of why you think trade is good or bad. The difference is now you must use theory and empirical evidence from class to support your arguments. Various specific approaches include:
 - * Revisiting the points you raised in the first component and using theory and empirical evidence to address the same point (perhaps theory supports your original view or contradicts your original view or is silent on the point).
 - * Constructing an argument based entirely around what you have learned in class rather than based on views you had when writing the first component.
- Regardless of your approach to the second component, remember that the key objective of the second component is for you to show how you can use economic theory and empirical evidence to support an argument about how trade is good or bad (or both). Thus, merely describing the main models from class will not achieve this objective.
- Readings and online quizzes (5%)
 - The fourth topic of the course “Distribution and political economy” will be based around 6 recent empirical papers that empirically quantify the distributional implications of trade and explore political ramifications of these distributional implications in terms of the political viability of US trade liberalization and composition of the US Congress along ideological and party lines.
 - To ease you into these empirical papers, both in terms of the economic concepts/intuition and the econometrics, I will assign three sets of readings prior to reaching the fourth topic. These readings will be posted on Canvas and will

include (i) newspaper articles describing the findings of these papers, (ii) the introduction section of the articles themselves and (iii) some econometric readings from an undergraduate textbook. An online quiz will accompany each set of readings. For your reference, the references for these empirical papers are listed in the course reading guide at the end of the syllabus.

- Problem sets (15%):

- There will most likely be 5 problem sets for the semester. Largely, this will correspond to one problem set per topic beginning with the Ricardo model.
- The problem set is due in class one week after we complete the topic in class.
- The problem sets will be posted on Canvas. Certain parts of the problem set must be completed on Canvas so please read the instructions carefully. It is **your responsibility** to follow the instructions correctly and check your Canvas account to make sure it has actually been submitted. **The exams will follow the style of the problem sets very closely.** Problem sets will include:

- * Multiple choice questions.
- * Problem solving questions.
- * Paragraph response questions. These questions will typically require one clear and concise paragraph. Excessive and irrelevant material will adversely affect your grade. You will be asked to respond to a statement, something like you might expect to see in the newspaper. This is not an opinion piece; you will need to apply the theory/empirical evidence from a particular model/paper in class and write an appropriate response.

- The problem solving problems and paragraph response questions will be submitted during class. The multiple choice questions will be submitted online via Canvas.
 - * The problem solving and paragraph response count for two-thirds of the problem set grade and the multiple choice questions count for one-third of the problem set grade.

- Advice for paragraph response questions.

Before beginning your answer you will probably find it helpful to brainstorm around three issues and only begin crafting an answer once you are clear on these issues.

- * How can you interpret what the question is saying in the context of the model?

- * What key results/theorems/ideas of the model can you use to address the question?
 - * What conclusion do you reach when you apply the results/theorems/ideas of the model to the question at hand?
- Examinations (45%)
 - Midterm I (15%): The first midterm covers the Ricardo and Specific Factors models and the required readings assigned during these these two topics. The midterm will take place over two days. On the first day, **tentatively** scheduled for **Wednesday 3/8**, you'll complete the multiple choice and paragraph response parts of the exam. On the second day, **tentatively** scheduled for **Friday 3/10**, you'll complete the problem solving part of the exam. However, the exact date will be dictated by the possibility that we may move slower or faster than anticipated.
 - Midterm II (15%): The second midterm covers the HOS model and the required readings during this model. It will only have multiple choice and a paragraph response sections (i.e. there'll not be an explicit problem solving section). It is **tentatively** scheduled for **Monday 4/10**. However, the exact date will be dictated by the possibility that we may move slower or faster than anticipated.
 - Final exam (15%): The final exam is a 2 hour exam. The exam covers all material since the HOS model. The exam will be administered as specified in the official University examination schedule: **Tuesday 5/16 at 8:00am** for the 10:00am section and **Wednesday 5/10 at 11:30am** for the 11:00am section. Except with prior approval, **you must take the final exam at the time specified for your section.**
 - Given the description of material covered on the various examinations, it should be clear that the exams are not cumulative.

The only acceptable excuses for missing an exam, apart from those mentioned above in University policies, are illnesses/personal issues. These excuses must be accompanied by a written note from a licensed medical practitioner, including those at the Student Health Center on campus, or the Office of Academic Advising. **If you miss a midterm for an approved reason, this weight will move to your final exam.**

- Attendance (7.5% plus a potential bonus 2% points)
 - Your attendance grade is determined as follows

- * 2 or less unexcused absence: 7.5%
 - * 3 or 4 unexcused absences: 3%
 - * 5 or 6 unexcused absences: 0%
 - * See the Course Policies section of the syllabus for implications of having more than 6 unexcused absences.
 - * **Perfect attendance bonus:** if you have zero unexcused absences, you get a bonus 2% points.
 - * **Hegi Career Center extra credit program:** if you have 6 or less unexcused absences, completion of this program will reduce the number of your unexcused absences by one. Completion of the program requires that you attend two of the five events listed on the flyer (see last page of syllabus). To record your attendance, you must sign in at the event/front desk. The Career Center will keep track of attendance and send a list of extra credit students at the end of the semester. Last Day for Extra Credit will be Friday, April 21st.
- An approved absence is one that meets either (i) the Religious Observance or University Extracurricular guidelines outline in the Course Policies section of the syllabus or (ii) the illness/personal issues criteria described above in terms of acceptable reasons for missing an examination (as described above, things like weddings are not an excused absence so you should plan accordingly in these cases) or (iii) job search related events (e.g. interviews).
 - I will conduct random manual attendance checks during the semester. As discussed above, **registering your attendance/quiz when not present for the entire class will be considered academic dishonesty with a minimum penalty being a zero grade for attendance and your final letter grade dropping by two parts (e.g. from B to C+)**. Similarly, **distributing** attendance when not present for the entire class will be considered academic dishonesty with a minimum penalty being a zero grade for attendance. In either case, you will still be subject to the consequences associated with exceeding the threshold of 6 unexcused absences.
- Top Hat in-class quiz questions (7.5%)
 - There will be regular in-class quiz questions using the Top Hat software. Largely, I will ask the quiz questions during the initial part of class where I will briefly

review the material from the previous class. You will submit question answers using the same device you use to register your attendance.

– If you answer the question you will get 75% credit. If you answer the question correctly you will get 100% credit.

- It is **your responsibility** to let me know **prior to the final exam** if you think there are problems with any of your grades (e.g. missing grades or Top Hat absences/quiz questions). Canvas and/or Top Hat will display all of the relevant information.

Course topics and reading guide

The following table outlines the topics and the readings that we will discuss on each day of the course. This is a tentative schedule.

Dates	Lectures	Topics	MOK (ch.)
1/23-2/10	1-9	Ricardo model	3
2/13-2/24	10-15	Specific Factors model	4
2/27-3/6	16-19	Heckscher-Ohlin model	5
3/8	20	Midterm 1 (part I)	
3/10	21	Midterm 1 (part II)	
3/13-3/17		Spring Break	
3/20	22	Midterm review	
3/23-3/27	23-25	Heckscher-Ohlin model (cont.)	5
3/29-4/7	26-30	Distribution and political economy	
4/10	31	Midterm 2	
4/12	32	Distribution and political economy	
4/14		Good Friday (no class)	
4/17	33	Midterm review	
4/19-4/21	34-35	Distribution and political economy	
4/24-5/8	36-42	Trade policy	9

The six academic papers that constitute the readings are as follows (these will be posted on Canvas):

Autor, D. H., Dorn, D. & Hanson, G. H. The China syndrome: Local labor market effects of import competition in the United States. *The American Economic Review*, 2016, 103, 2121-2168

Pierce, J. R. & Schott, P. K. The surprisingly swift decline of US manufacturing employment. *The American Economic Review*, 2016, 106, 1632-1662.

Hakobyan, S. & McLaren, J. Looking for local labor market effects of NAFTA. *Review of Economics and Statistics*, 2016, 98, 728-741.

Lake, J. & Millimet, D. L. An empirical analysis of trade-related redistribution and the political viability of free trade. *Journal of International Economics*, 2016, 99, 156-178.

Autor, D. H., Dorn, D., Hanson, G. H. & Majlesi, K. Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure. Unpublished Working Paper, 2016.

Che, Y., Lu, Y., Pierce, J. R., Schott, P. K., & Tao, Z. Does Trade Liberalization with China Influence U.S. Elections? Unpublished Working Paper, 2016.

ECONOMICS EXTRA CREDIT

Spring 2017



The Hegi Career Center is excited to have the Economics Department assist us in promoting career development - employers are seeking individuals with your analytical/problem solving, communication, and research skills!

5 ways to earn extra credit:

In order to receive extra credit, you must sign in at the event/front desk! Contact Alicia Love at atlove@smu.edu with any questions.



1. Career Fair Prep Day and Mock Interview Day

Thursday, February 2nd from 4-7 PM. Get your resume reviewed by industry professionals and/or participate in a mock interview with professional Hegi staff members before the Career Fair!

2. Attend a Workshop

We offer multiple workshops throughout the semester including Career Fair Prep, Job & Internship Search Strategies, LinkedIn, and more! See www.smu.edu/studentaffairs/career/events for dates, times, and location.



3. Mocktails for Mustangs Networking Event

Thursday, March 23rd from 5-6:30 PM. Looking for a job or internship? Come and network with SMU alumni and top employers!



4. Econ Networking Event

Tuesday, April 18th from 6-7 PM
Come learn more from industry professionals about what YOU can do with your degree in Economics!



5. Come to Drop In Hours

Monday through Thursday from 11 am-12 PM & 1 pm-3 pm
Need help with your resume, finding an internship, or preparing for an interview! Just drop by!

LAST DAY FOR EXTRA CREDIT IS FRIDAY 4/21
VISIT WWW.SMU.EDU/STUDENTAFFAIRS/CAREER/EVENTS FOR MORE EVENT DETAILS

More detailed event information can be found on www.smu.edu/career. Please check website to confirm event times and locations!