

ECON 677: INTERNATIONAL TRADE & APPLICATIONS

{Spring 2022}

Class Meets: Wednesdays, 6:30pm

Instructor: Francisco Roch

Email: froch@umd.edu

Office Hours: Monday 5:15-6:15pm

TA: Zhenxun Liu

zliu1995@umd.edu

Tuesday 5:15-6:15pm

Pre-requisites: ECON 641 (Microeconomic Analysis)

Co-requisites: ECON 644 (Empirical Analysis II)

Course description: This course provides an introduction to the study of international trade. The goal of the course is to teach students a set of conceptual tools that are useful for understanding the causes of international trade, and the implications of globalization. We will examine a series of theoretical frameworks designed to answer interesting and important questions such as: Why countries trade with each other? Do countries gain from trade? Who are the winners and losers? What goods should countries import and export? In the final part of the course we will discuss a variety of trade policy issues through the lens of these theories; the gains from trade, the use of alternative trade policy instruments and the organization of the international trade system.

Learning Outcomes: This course will be a mix of theory and empirical work. Although the course will emphasize the understanding of past and current events in the world economy, we will heavily rely on formal economic modeling to help us understand these events.

Our program has 7 general learning outcomes for students:

1. Ability to understand, evaluate and analyze economic data
2. Ability to understand and interpret statistical evidence from economic data
3. Ability to apply empirical evidence to assessing economic arguments
4. Ability to apply macroeconomic theories to policy discussions
5. Ability to apply microeconomic theories to policy discussions
6. Ability to communicate economic ideas to a broader audience
7. Ability to evaluate the effectiveness of policy programs using sound economic techniques

All 7 of the standard learning outcomes pertain to this course, but with more emphasis on outcome 5 than outcome 4.

At the end of this course, you should also be able to understand empirical papers in international trade, and apply ideas from the literature in your own applied work.

Textbooks:

Required:

- International Economics Theory and Policy by Krugman, Obstfeld and Melitz 9th edition. (KOM)
The 10th edition is also fine for the purposes of this course.
- International Economics by Feenstra and Taylor (3rd or newer editions). (FT)
- Lecture notes, case studies and study materials will be posted to the course website.

Optional Readings:

- You are encouraged to read the business section of a major newspaper/website (e.g., NYT, WDJ, Financial Times, The Economist, etc.) every day to familiarize themselves with current trends in “globalization.” I may send articles to you periodically during the term.

Grading:

The course has 5 graded course components:

- Problem Sets: 30 course points
- Paper Presentations: 20 course points
- Midterm Exam: 20 course points
- Final Exam: 30 course points

==> 100 Total course points

Problem Sets (30 course points)

There will be five required problem sets accounting for 30% of total course points. I will only take into account your four highest problem sets. You must hand in the problem sets electronically as a single pdf file by 6.00pm on the due date.

Paper Presentation (20 points)

Each student will give a short presentation at some point during the term (possibly with a partner or partners). We will have 1 or 2 student presentations during some of the weeks. There will be no student presentation until the 5th week of the term, and also none the week of the midterm exam or the week of the final exam.

Students will present applied research papers that correspond to the material being studied in the course. Appropriate papers will be suggested by the instructor, including but not limited to some of the papers listed in the course outline below.

Presenters are graded on a 10-point scale based on the quality of the initial presentation. As usual, the proportion of points awarded will be consistent with the Final Course Grade Scale below. “A work” will receive 93% - 100% of the possible points. “B+ work” will receive 80%-89% of the possible points, etc.

Presenters are required to send complete first drafts of their PowerPoint slides to me via email by noon on the Sunday before their presentation week. I will let you know by Monday if I have suggestions/comments on the presentation, which will have to be incorporated by Wednesday.

Midterm Exam (20 course points)

The midterm exam will test everything covered in the course through the previous week.

Final Exam (30 course points)

The final exam will be cumulative.

Final Course Grades

At the end of the term I will add up each student's course points. This will be a number between 0 and 100. I do not grade on a curve. Numerical course grades will be translated into letter grades as follows:

93-100	90-92	80-89	70-79	60-69	50-59	40-49	30-39	20-29	10-19	0-9
A	A-	B+	B	B-	C+	C	C-	D+	D	F

At my discretion, I might give an A+ to a student or two at the very top of the class' grade distribution.

Course outline

Lecture #	Date	Topic	Textbook	Optional Reading	Due
1	1/26	Introduction	KOM - Chapter 1 FT – Chapter 1	Coming and Going (Economist 2016.10.3) ; It's a Flat World After All (NYT 2005.4.3)	
2	2/2	Ricardo	KOM - Chapter 2 FT – Chapter 2	The Pencil (PBS 1980) ; Ricardo's Difficult Idea (Krugman Archive)	
3	2/9	Hecksher-Ohlin	KOM - Chapter 5 FT – Chapter 4	Free Trade: You're Doing It Wrong (FP 2013.2.4)	PS1
4	2/16	Hecksher-Ohlin		As Crop Prices Soar Iowa Farms Add Acreage (NYT 2011.12.30)	
5	2/23	Ricardo-Viner	KOM – Chapter 4 FT – Chapter 3	Introduction to the Two-Cone HO Equilibrium (Deardorff 2002) ; Economic Recovery, Made in Bangladesh? (NYT 2013.5.20) ,	PS2
6	3/2	Multi-Cone HO		Introduction to the Two-Cone HO Equilibrium (Deardorff 2002) ; Economic Recovery, Made in Bangladesh? (NYT 2013.5.20) ,	
7	3/9	Midterm			
8	3/16	Intra-Industry Trade/Krugman (I)	KOM - Chapter 8	What Happened When Two Countries	

University of Maryland
 Master of Science in Applied Economics Program
 ECON 677 syllabus (Spring 2022)

			FT – Chapter 6	<u>Liberalized Trade? Pain, then Gain (NYT 2005.1.27)</u>	
9	3/30	Intra-Industry Trade/Krugman (II) Melitz: Heterogeneous firms and trade		<u>The Economics of a \$6.75 Shirt (WSJ 2013.5.16); Trade Liberalization and Embedded Institutional Reform (Vox2013.1.15)</u>	
10	4/6	Export Decisions, Outsourcing, and Multinational Enterprises	KOM - Chapter 8 FT – Chapter 6	<u>Outsourcing: What’s the true impact? Counting jobs is only part of the answer.</u>	PS3
11	4/13	Instruments of Trade Policy: Tariffs & Quotas	KOM - Chapter 9 FT – Chapters 8 and 10	<u>Free Trade and the Steel Industry (Milton Friedman on Youtube), Sugar Tariffs Cost Americans \$2.5 Billion in 2009 (Perry 2010.1.30)</u>	
12	4/20	Instruments of Trade Policy: Trade Agreements	KOM - Chapter 10 FT – Chapter 11		PS4
13	4/27	The World Trade System: The WTO and Regional Trade Agreements		<u>Who Will Lead the WTO and Help It Avoid Collapse?</u>	
14	5/4	Trade and Labor Markets and Wrap up		<u>Trump, Trade and Workers, NYT. 2016.07.04</u>	PS5
15	5/18	Final Exam			

There will be no class the week of 3/23 (spring break) and of 5/11 (reading day).

Standard Policies

Policies related to all graduate courses at the University of Maryland are posted on this page of the Graduate School's website:

<https://gradschool.umd.edu/faculty-and-staff/course-related-policies>

Please familiarize yourself with these policies related academic integrity, non-discrimination policy, accessibility, absences and accommodations, grading, academic standing, grievance procedures, and other important policies.

Additional notes that should appear in all MS in Applied Economics program syllabi:

Work Load: Mastering the material covered in this course requires a significant amount of work outside of class. Students should expect to spend more time outside of class than in class – typically at least twice as much time.

Academic Progress: The graduate school requires that students maintain a GPA of at least 3.0. Students whose cumulative GPA falls below 3.0 will be placed on academic probation by the graduate school. Students on academic probation must ask the program's director to petition the graduate school if they want to remain in the program. The petition must include a plan for getting the student's GPA up to at least 3.0. Students who do not live up to their plan can be forced to leave the program without having earned the degree. Note: a grade of "B" corresponds to a GPA of 3.0. A grade of "B-" corresponds to a GPA of 2.7.

Excused Absences: If you miss any class meetings for any reason, you are still responsible for all material covered during the meeting you missed. It is your responsibility to work with the instructor to make sure you catch up on the missed material. Instructors routinely facilitate things by posting lecture notes, etc.

If you need to miss an exam or other graded course requirement because of illness, injury, or some other emergency: Follow doctor's orders and get documentation. Get in touch with the instructor as soon as you're able – preferably prior to missing the exam or deadline. Communicate with the instructor to make up the course requirement as soon as possible. You are entitled to recover before you make up the course requirement, but you are not entitled to extra days to study beyond the time the doctor's note says you're incapacitated. If you are incapacitated for more than a week or so beyond the end of the term, your grade in the course will be an "Incomplete". In such cases you must negotiate a plan with your instructor for completing the course requirements. Once you make up the course requirement the instructor will change your "I" to the appropriate letter grade.

School Closings and Delays: Information regarding official University closing and delays can be found on the campus website and the snow phone line: (301) 405-SNOW (405-7669) The program director will also announce cancellation information to the program as an announcement on the program's ELMS/Canvas site. This will generally be done by 1:00 p.m. on days when weather or other factors are an issue. When classes need to be canceled during the semester, we make every effort to schedule makeup classes.

UMD Counseling Center: Sometimes students experience academic, personal and/or emotional distress. The UMD Counseling Center in Shoemaker Hall provides comprehensive and confidential support services that promote personal, social, and academic success. The cost of these services is covered by the fees you already paid when you registered for classes, and there is no additional charge if you use the services. Proactively explore the range of services available, including the Counseling Service, Accessibility and Disability Service, and the Testing Office, all described at <http://www.counseling.umd.edu/>

University of Maryland
Master of Science in Applied Economics Program
ECON 677 syllabus (Spring 2022)

Graduate Academic Counselor: The UMD Graduate School also has an academic counselor available to support students who are having difficulty navigating mental health resources on campus, are considering a leave of absence and/or need assistance finding mental health care off campus. The Graduate Academic Counselor also facilitates bi-weekly Graduate Student Circle Sessions which provide an opportunity to learn about resources and connect with other graduate students. Students can learn more about the Graduate Academic Counselor by going to: <https://gradschool.umd.edu/gradcounselor>

Course Evaluations: Near the end of the term, you will receive an email inviting you to submit a voluntary and anonymous course evaluation. Your feedback on courses will be very helpful in improving the quality of instruction in our program.

Access to Morrill Hall and Morrill 1102: Morrill Hall is locked every day from 7:00 p.m. - 7:00 a.m. Your university ID gives you swipe access to the back door of the building. There is keypad access to the door of Morrill 1102. The code will be shared with students by the program coordinator.