

DREXEL UNIVERSITY  
Department of Economics and International Business



ECON 498  
Applied International Trade, 4 credits

Spring 2014

## SYLLABUS

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Instructor:	Thomas Zylkin
Office:	Gerri C. Lebow Hall, Room 1030
E-mail:	tomzylkin@drexel.edu (NOTE: All class correspondence will be sent to your Drexel e-mail accounts.)
Office Hours:	By appointment
Recommended Text:	McLaren, John, <i>International Trade</i> , 1st Ed. 2012.

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**Course Description and Objectives:** This course is designed to investigate major current events in the world today through the lens of International Economics, focusing in particular on modern research in the field of International Trade. Formally, the class can be divided into two main sections. In the first part of the class, we will review the major theories describing the “gains from trade”, from Ricardian comparative advantage to the Melitz (2003) theory of heterogeneous firms. Along the way, we will use these theories to illuminate and discuss important real world issues such as trade-induced unemployment, the high welfare costs of international borders, and how trade affects competition between firms.

In the second part of the course, we will draw on this background to dive more deeply into a series of broader topics that are closely related to trade. First, we will take a close look at how US/China trade has affected labor markets for different types of workers in both countries. We will then move on to examine the politics of trade liberalization and trade protection—touching in particular on recent controversies surrounding NAFTA and the WTO— followed by a discussion of how trade relationships can create incentives both for and against violent conflict.

The overall goal of the course will be to get students to think critically about the complex world around us using the tools of International Economics and form their own opinions about divisive issues. As such, students will be graded primarily based on their expression of thoughts, both in classroom discussion and in writing.

## COURSE REQUIREMENTS AND POLICIES

EXAMS. There will be one written exam for the class, to be held on **May 8th, 2014**. The format of the exam will be an in-class essay or series of essays dealing specifically with topics we cover in the first part of the course.

DISCUSSION QUESTIONS. In order to encourage discussion in the course, and also to encourage to you to think about key readings, occasionally I will assign some discussion questions for you to answer ahead of class. I expect the answers to these questions to be **typed, printed out, and ready to hand in** before class starts.

STUDENT-LED DISCUSSIONS. In lieu of a final exam, we will spend the last week with you, the students, leading discussions on topics of your choice. You will work in groups and you will be free to choose from any topic related to trade not covered in class. Some sample topics you may consider include Trade and the Environment, the Global Supply Chain, “Fair Trade” schemes, Trade and Growth, Trade and Development, the proposed US-EU Transatlantic Trade and Investment Partnership, the U.S. Trade Deficit, and so on.

CLASS ATTENDANCE. Since this is a seminar-styled class, and since we will not be working solely from textbook material, it will be important that you come to class to see how the lecture material draws on assigned readings and to participate in discussion. I will not take attendance or declare that attendance is “mandatory”, but it will be very much to your benefit to attempt to attend all classes. I do make part of your grade dependent on attendance, and frequent absences may affect your grade here.

IN CLASS. I will assume that before coming to class you have familiarized yourselves with the material to be covered, from the assigned readings, and by working on discussion questions. Naturally, it will be very beneficial to have reviewed all readings before class. As noted above, you are expected to be an active participant in the class, both by asking questions and by participating in class discussions. Please note however that the quality of your in-class contributions matter just as much as quantity, if not moreso, in determining your participation grade.

GRADING POLICY. The grade that you get in the class will be the grade that you have earned. The only time that I will be willing to change a grade is when I have made a mistake and it has been brought to my attention before the end of the semester. Your final grade will be determined as follows:

Written Homework	(10%)
Participation	(15%)
Midterm Exam	(35%)
Student-led Discussion	(40%)

NOTE. Your grade on written work for this class will not be merely based on content. I will expect you to be able to express your thoughts in a smooth, clear and logical sequence, using the concepts we have established in class in an appropriate manner.

A WORD ON INTEGRITY. Violations of Academic Integrity in this class will not be tolerated and may result in severe academic sanctions. Make sure that your work is in accordance with the university policies. In order to familiarize yourself with Drexel University's Academic Integrity standards and procedures as well as the policies on Academic Misconduct and Dishonesty, you may refer to the following web site: [http://www.drexel.edu/provost/policies/academic\\_dishonesty.asp](http://www.drexel.edu/provost/policies/academic_dishonesty.asp) or to the "Academic Honesty Policy" as written in the Official Student Handbook. If you have any doubts or questions, please, consult with me.

## UNIVERSITY POLICIES

**Americans with Disabilities Act:** Students with documented disabilities who need course accommodations, have emergency medical information or require special arrangements for building evacuation should contact the instructor within the first two weeks of class. Verification of any special arrangements needs to be made through the Office of Disability Services, 3201 Arch Street, Suite 210. For further information visit: <http://www.drexel.edu/edt/disability/>.

**Course Evaluation:** Your feedback about the course and instructor is the only way instructors and academic units can improve the quality of a course and its content.

**Financial Obligations:** Students who do not satisfy financial obligations to Drexel University are not entitled to a grade by the instructor or the University.

**Dropping a course or withdrawing from a course:** Once a student is registered, it is his/her responsibility to attend the course, drop the course, or withdraw from the course. Dropping and withdrawing are distinct actions governed by different policies and impact a student's course enrollment status.

- Dropping a course causes the name of the course to disappear from the student's transcript.
- Withdrawing from a course causes both the name of the course and the grade of W to appear on the student's transcript. Before withdrawing from a course, students should consult the instructor.

In either case, a signed form is required. There are billing consequences and academic record impact during this process; therefore, the student must attend to the proper procedure when dropping or withdrawing from a course. All students must obtain the instructor's and the Academic Advisor's signature on the Add/ Drop/Withdraw form, which is available online at <http://www.drexel.edu/provost/src/forms.asp>.

**Financial/academic record impact for Drop/Withdrawal:** Dropping or withdrawing from courses can have serious financial and academic implications, possibly affecting billing, financial aid, VA benefits, eligibility to participate in NCAA athletic events, and for foreign students, immigration status. Students are strongly encouraged to consult with their Academic Advisor and financial aid counselor before withdrawing. Students are considered the responsible parties for any/all transactions processed against their academic record.

**Incomplete Policy:** If the student requests an incomplete (I) or no-credit (NC) grade, it is the student's responsibility to make sure she/he meets the University criteria and deadlines for requesting these grades. If the student stops attending the class, she/he will not be automatically dropped from the course and she/he will receive a grade according to her/his overall performance. It is the student's responsibility to make sure that she/he is properly enrolled or de-enrolled in the course.

## Course Outline

1. Week 1: Course Introduction (April 1st - April 3rd)
  - General Introduction
  - A Brief Introduction to International Trade and International Trade Theory
  - Review: Presenting Models in Economics, Interpreting Regression Results
  
2. Week 2: Ricardian Comparative Advantage (April 8th - April 10th)
  - Review: Comparative Advantage, Production Possibilities Frontier
  - Key Concept: “Gains from Trade”
  - Ladders of Comparative Advantage
  - How much does Comparative Advantage matter today?
  
3. Week 3: Factor Proportions Trade (April 15th - April 17th)
  - The “Heckscher-Ohlin” model of trade
  - The Stolper-Samuelson Theorem: “Winners” and “Losers” from Trade
  - The “North”, the “South”, and “Missing Trade”
  - Trade and Inequality and the Rise of China
  
4. Weeks 4 and 5: Modern Trade Models and “New” Gains from Trade (April 22nd - May 1st)
  - Economies of scale, “Love for Varieties”, and “New” Gains from Trade
  - The “Gravity” model of trade
  - Trade costs and “What separates us?”
  - Firm heterogeneity and trade
  
5. Week 6: Review/Catchup (May 6th) and Midterm Exam (May 8th)
  
6. Week 7: Trade and Labor Markets (May 13th - May 15th)

- Trade and inequality: revisited
- Offshoring
- Labor exploitation?
- The effect of trade with China on U.S. Workers

7. Week 8: The WTO, tariffs, and Free Trade Agreements (May 20th - May 22nd)

- What does the WTO do exactly?
- Free Trade Agreements: arguments for and against
- the Politics of Trade Protection
  - Industry Lobbying
  - Voter Interests
  - The "Infant Industry Argument"
  - Farm Subsidies

8. Week 9: Trade and Violent Conflict (May 27th - May 29th)

- Trade and International Wars
- Globalization = Peace?
- Trade and Civil Wars

9. Week 10: Student-led discussions (June 3rd - June 5th)

## Reading List

### Course Introduction (Week 1)

- McLaren, Chapter 1
- Krugman, Paul. 1993. “What do Undergrads Need to Know about Trade?” *The American Economic Review*, Papers and Proceedings (May, 1993), pp. 23-26.
- O’Rourke, Kevin H. and Jeffery G. Williamson. 2002. “When did globalization begin?” *European Economic Review of Economic History*, 6: 23-50. \*\*
- Taylor, Alan M. 2002. “Globalization, Trade, and Development” NBER Working Paper No. 9326.

### Ricardian Comparative Advantage (Week 2)

- McLaren, Chapter 2
- Jagdish Bhagwati, “Why China is a Paper Tiger”, *Newsweek*, February 18, 2002.
- Bradford Plumer, “Switching to offense”, blog post, 2004, available: [plumer.blogspot.com](http://plumer.blogspot.com)
- Golub, Steven S., and Chang-Tai Hsieh. 2000. “Classical Ricardian Theory of Comparative Advantage Revisited,” *Review of International Economics*, 8(2): 221-234.. \*\*
- Costinot, Arnaud, Dave Donaldson, and Ivana Komunjer. 2012. “What Goods Do Countries Trade? A Quantitative Exploration of Ricardo’s Ideas,” *Review of Economic Studies*, 79(2): 581-605.\*\*

### Factor Proportions Trade (Week 3)

- McLaren, Chapter 6
- O’Rourke, Kevin H. and Jeffery G. Williamson. 2005. “From Malthus to Ohlin: Trade, Industrialization, and Distribution Since 1500,” *Journal of Economic Growth*, 10: 5-34.
- William J. Polley (blog post) “Should losers from free trade be compensated?”, February 21st, 2011, available: [www.williampolley.com](http://www.williampolley.com)
- Andrew B. Bernard, J. Bradford Jensen, and Peter K. Schott. “How Offshore Work Affects Your Industry” (graphic), *Harvard Business Review*, November, 2004.
- Treffer, Daniel. 1995. “The Case of the Missing Trade and Other Mysteries”, *The American Economic Review*, 85(5): 1029-1046. \*\*
- Paul Krugman (blog post) “Trade and Inequality Revisited”, June 15, 2007, available: [www.voxeu.org/trade-and-inequality-revisited](http://www.voxeu.org/trade-and-inequality-revisited)
- Timothy Noah “The United States of Inequality”, *Slate*, September 14, 2010.

## Modern Trade Models and “New” Gains from Trade (Weeks 4-5)

- McLaren, Chapter 3
- Ruffin, Roy J. “The Nature and significance of Intra-industry Trade” Federal Reserve Bank of Dallas Economic and Financial Review, Fourth Quarter 1999.
- Anderson, James and Eric van Wincoop. 2003. “Gravity with Gravitas: A Solution to the Border Puzzle,” *The American Economic Review*, 93(1): 170-192. \*\*
- Head, Keith and Thierry Mayer. 2013. “What separates us? Sources of resistance to globalization,” *Canadian Journal of Economics*, 46(4): 1196-1231. \*\*
- Lendle, Andreas, Marcelo Olarreaga, Simon Schropp, and Pierre-Louis Vezina, “There goes gravity: How eBay reduces trade costs”, *Vox*, [www.voxeu.org](http://www.voxeu.org), September 4th, 2012.
- Bernard, Andrew B., J. Bradford Jensen., Stephen J. Redding, and Peter K. Schott. 2007. “Firms in International Trade”, *Journal of Economic Perspectives*, 21(3): 105-130. \*\*
- Freund, Caroline and Martha Denisse Pierola. 2013. “Export Superstars”, World Bank Policy Research Paper No. 5407. \*\*

## Midterm Review and Exam (Week 6)

### Trade and Labor Markets (Week 7)

- McLaren, Chapters 11 and 14.
- Helpman, Elhanan, Oleg Itskhoki, Marc Muendler, and Stephen Redding. “Trade and inequality: From theory to estimation,” *Vox*, [www.voxeu.org](http://www.voxeu.org), May 20th, 2012.
- Oldenski, Lindsay, “Offshoring and middle-income workers in the US,” *Vox*, [www.voxeu.org](http://www.voxeu.org), October 16th, 2012.
- Autor, David H., David Dorn, and Gordon H. Hanson. “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” *American Economic Review*, 103(6): 2121-2168.\*\*
- LaHart, Justin. “Tallying the Toll of U.S.-China Trade,” *The Wall Street Journal*, September 27, 2011.
- Burtless, Gary. “Workers’ Rights: Labor standards and global trade,” *Brookings Article*, Fall 2001.
- Kristof, Nicholas. “My Sweatshop Column,” *The New York Times*, January 14, 2009.
- Miller, John. 2003. “Why Economists are Wrong about Sweatshops and the Anti-sweatshop Movement” *Challenge*, January/February: 93-122.
- Avent, Ryan. “Paul Krugman, seriously” blog post, *Free Exchange, The Economist*, September 30th, 2010.
- Porter, Eduardo. “A Global Boom, but Only for Some,” *The New York Times*, March 18, 2014.

## The WTO, tariffs, and Free Trade Agreements (Week 8)

- McLaren, Chapters 8 and 15
- Hainmuller, Jens and Michael Hainmuller and Michael J. Hiscox. 2006. "Learning to Love Globalization: Education and Individual Attitudes Toward International Trade", *International Organization*, 60(2): 469-498.
- "Doha Delivers" (blog post) Free Exchange, *The Economist*, December 9th, 2013.
- John Harwood. "Global Trade Talks Threaten Obama's Longtime Balancing Act" *The New York Times*. February 17, 2014.
- Goldberg, Pinelopi K. and Giovanni Maggi. 1999. "Protection for Sale: An Empirical Investigation", *The American Economic Review*, 89(5): 1135-1155. \*\*
- Clay, Jason. "Are agricultural subsidies causing more harm than good?" *The Guardian*, August 8th, 2013.
- Plumer, Brad. "The U.S. has few farmers. So why does Congress love farm subsidies?" *The Washington Post*, July 12th, 2013.

## Trade and Violent Conflict (Week 9)

- Martin, Phillippe, Thierry Mayer, and Mathias Thoenig "Does globalization pacify international relations?" *Vox*, [www.voxeu.org](http://www.voxeu.org), January 4th, 2008.
- Acemoglu, Daron and Pierre Yared. 2010. "Political Limits to Globalization," *American Economic Review: Papers and Proceedings* 100(2): 83-88. \*\*
- Michael Schuman, "Sanctions? Russia is just going to shrug them off," *Time*, March 25, 2014.
- Collier, Paul and Anke Hoeffler. 2004. "Greed and Grievance in Civil War," *Oxford Economics Papers*, 56(1): 563-595. \*\*
- Bazzi, Samuel and Christopher Blattman. 2011. "Economic Shocks and Conflict: The (Absence of?) Evidence from Commodity Prices," *CGDev Working Paper No. 274*. \*\*
- Dube, Oeindrila and Juan F. Vargas. 2013. "Commodity Price Shocks and Civil Conflict: Evidence from Colombia," *Review of Economic Studies*, 80(1): 1384-1421. \*\*
- Martin, Phillippe, Thierry Mayer, and Mathias Thoenig "Civil War: Does international trade help or hurt?" *Vox*, [www.voxeu.org](http://www.voxeu.org), January 4th, 2008.

## Students Choose Topics and Lead Discussions (Week 10)