

Economics 4413
International Trade
Spring 2023

Instructor: Dr. Billy Mertens
Office: Econ 12 and Zoom: <https://cuboulder.zoom.us/j/5838330659>
E-mail: mertens@colorado.edu Email is by far the best way to contact me. I check my email and respond (if time) two times every weekday. Once in the morning (typically between 10 and 11am, but sometimes earlier). If there is not enough time to respond to all emails during that time, then I will respond in the afternoon. I typically do not check emails at other times or over the weekend, but there are some exceptions such as exam times. We can set up times to Zoom over the weekend if you give me plenty (2 weeks) of advance notice.
Web: canvas.colorado.edu
Office Hours: In Econ 12: T,R 12:20-1:35pm
On Zoom: W 8:50-9:30am

Course Description:

In this course, we will study the theories, policies, and institutions of international trade. We will study these aspects of international trade at a fairly abstract and rigorous level. Although the analysis will be largely graphical in nature, the course materials and lectures will employ some mathematics. Among the issues that will be addressed are: (1) the fundamental determinants of the patterns of trade and the gains from trade; (2) the implications of imperfect competition for trade patterns and welfare; (3) how firms of different sizes and productivities engage in trade; (4) the effects of trade barriers; and if there is sufficient time, we may cover (5) the rationale for regional free-trade agreements and multilateral trade rules; and (6) the role of international capital and labor movements OR the political economy of trade policy. The economic, political, and social forces underlying many of the issues involved in international trade are complex, multi-faceted, and dynamic. They cannot be fully or easily analyzed in a professional lifetime, much less a one-semester course. They do, however, lend themselves extremely well to critical thinking and rational inquiry, which are the guiding principles of this course. Our goal is to become and remain informed about issues related to international trade and, even more importantly, acquire the ability to think about complex issues in a logical objective manner. Thinking critically is what permits us to differentiate between the illogical and the sensible, between the misleading use of statistics, misleading anecdotal evidence, and the reasonable presentation of information.

Prerequisites:

Students must have completed ECON 3070 and ECON 1088 (or its equivalent). It is NOT sufficient to take these courses concurrently. You not only need to have taken the class, but you must also understand and remember the content. The prerequisites must be strictly enforced – if you did not do well in 3070, it will be difficult to do well in this course!

While this is not a micro-theory course, economics without theory is not economics. You will need micro theory to understand and explain some of the topics. Some of the theory and terms you will need to know include: the *theory of the firm*, the *theory of the consumer*, *efficiency*, when the market equilibrium will and won't be efficient, *market failure*, types of market failures, and corrections for market failure.

A strong math background will make this course easier. Math involves rigor and a way of thinking that facilitates economic thinking. In addition, graphs and simple mathematical descriptions of economic problems provide insights that would be difficult to convey with only words.

Readings:

We will be using Markusen and Maskus, *International Trade: Theory and Evidence*, Wiley Publishers, 2012. Note that this book is not in regular print. Professor Markusen has been kind enough to allow me to post a pdf version of the text, but please note that typos do exist and so being present for lectures is crucial as we will resolve any text errors you notice in lectures.

Policy on Cheating:

If you are suspected of cheating, I will immediately and without notification forward your case to the honor code office. This is actually the fairest way to proceed. In these instances, if I took it upon myself to make the decision of whether you violated the honor code, there could be bias involved. The honor code council has both students and faculty members, and they are trained to deal with these types of situations. I will accept the honor code decision as final. If the honor code finds that you did not violate the code, then there will be no repercussions, and all grades will be entered based on your submitted work. If you are found to have violated the honor code (see below), by both the honor code council and I, you will automatically fail the course!

Material from a Missed Lecture: If you miss a class, you are responsible for obtaining notes from a classmate and reading the relevant material in the textbook. I encourage you to come to my office hours to discuss the material you missed, but only after you have reviewed the relevant material and prepared specific questions.

In-class Group Assignments and Grading of All Group Content:

The material for this class can be very complex and doing problems in class (often in groups with peer-input) has proven to be more beneficial than traditional problem sets and review problems. We will do in-class problems almost every week.

These cooperative learning exercises (detailed below) are extremely important. The group assignment dates are listed in the course outline. It is important not to miss these days without an excused absence. The object of these assignments is to work together and engage your brains in the learning process. The goal is NOT to try and finish the assignments quickly, or in most cases, to even finish them at all. You will receive a passing score of 90% just for being present and working on the in-class problems with your group. Additionally, I will sometimes have a random member of a random group demonstrate a problem at the board, and if you are a member of the group that presents, it can raise your grade for that assignment. **You receive a grade for these assignments by being present on the day we begin the assignment. We will often work on these over the course of two class periods, and while it is important to be present the 2nd day as well, the assignment credit is given only on the first day (which is also the day listed in the course outline).**

Homework: You should read the relevant chapters in advance of class and come prepared with questions. You should also then review the notes you take in class and come prepared with questions on those notes for the following class.

Review Sets:

You will also be given review problems that are extremely valuable in preparing for exams. There are 2 sets (a and b) for each exam. The 'a' review sets focus on the concepts, and the 'b' sets focus on problem-solving. Both are essential.

Exams:

There will be three cumulative exams and a cumulative final. These will be given in class on the days listed. No exams will be dropped. To be fair to everybody, I will not answer ANY questions during exams (even about typos) – this puts everyone on equal footing during the exams. Tests will consist of short-answer questions and some longer problems. The exams will all be cumulative, and the material does build on itself, so it is important to understand all the concepts as we go. **Exams will be given in class on the days listed. If you miss an exam with a valid excuse (e.g., illness), then the weight of your final will be increased. Please do Not feel the need to try and reschedule an exam no matter the reason you miss one. We simply reweight the final in all circumstances. If you know in advance that you will miss an exam, sometimes we can arrange for you to take it a day or two early. Note that the exam dates below are not tentative – exams will be given in class on the days listed. NO EXAMS WILL BE DROPPED!!**

Exam Schedule: *all exams will be taken in class!*

Exam 1: Thursday, February 16th

Exam 2: Thursday, March 23rd

Exam 3: Thursday, April 22nd

Final Exam: Wednesday, May 10th at 4:30pm in our usual classroom

Calculators:

On some exams, the use of a calculator may be helpful. I will announce in class the day before exams if you will have the option of using one on the day of the exam. Graphing calculators are NOT permitted. If you do not take a calculator to the exam, then you will have to do without. You cannot use the same calculator as another student, and you cannot use your phone.

Grading:

In-class problems (group assignments)	11%
Exam 1:	21%
Exam 2:	22%
Exam 3:	22%
Final Exam:	24%

Grading Disputes:

If you have a dispute on a test, then you must put your issue in writing and submit it to your TA. Subsequently, your entire exam will be regraded.

Incompletes, Extra Credit, etc.:

I adhere strictly to the University guidelines on Incompletes (“An I is given only when students, *beyond their control*, have been unable to complete course requirements. A substantial amount of work must have been *satisfactorily completed* before approval for such a grade is completed.”).

Bad grades, unsatisfactory performance, too many credit hours, work conflicts, etc. are not reasons for an incomplete.

I am adamant about giving each student an equal opportunity to perform well in the course, so there will be no extra credit opportunities that are not offered to the entire class. You should focus your efforts on learning the material and doing well on the exams.

Grading Scale:

<u>Your score</u>	<u>Grade</u>
92% to 100%	A
90% to 91%	A-
88% to 89%	B+
82% to 87%	B
80% to 81%	B-
78% to 79%	C+
72% to 77%	C
70% to 71%	C-
68% to 69%	D+
62% to 67%	D
60% to 61%	D-
Below 59.5%	F

Tentative Course Schedule:

Many sections of the book are advanced and written more for master’s and MBA students. Therefore, we will skip some sections; these sections will be announced in class. Students are responsible for all announcements made in class. I will not be continually updating the website with announcements, etc.

TEXT PART I: TECHNICAL TOOLS AND THE GAINS FROM TRADE

In this part of the course, we develop and review basic tools of microeconomic theory that we will use throughout the course.

1. Supply and Production Possibilities

MM chapter 2 (Weeks 1-2)

2. Preferences, Demand, and Welfare

MM chapter 3 (Weeks 2-3)

3. General Equilibrium in Open and Closed Economies

MM chapter 4 (Weeks 3-4)

4. The Gains from Trade

MM chapter 5 (Week 4)

5. Differences in Technology between Countries.
MM, chapters 6 and 7 (Weeks 4-5 or maybe 6)

TEXT PART II: DETERMINANTS OF TRADE

This section analyzes the different underlying causes of international trade and the gains from trade.

1. Differences in Technology between Countries.
MM, chapters 6 and 7 (Weeks 4-5 or maybe 6)

2. Differences in Factor Endowments between Countries.
MM chapters 8 and 9 (Weeks 6-9?)

3. Distortions and Externalities as Determinants of Trade.
MM chapter 10

4. Imperfect Competition and Increasing Returns I: oligopoly
MM chapter 11

5. Imperfect Competition and Increasing Returns to Scale II: monopolistic competition
MM chapter 12 (we might skip this)

TEXT PART IV: TRADE POLICY

The final part of the course analyzes the principal tools that governments use to influence trade. We analyze the effects of the policies and try to understand the reasons that governments choose the policies they do.

1. Imperfect Competition and Increasing Returns I: oligopoly
MM chapter 11

2. Tariffs
MM Chapter 18 (Weeks 12-14??)

3. Quotas
MM chapter 19

4. Strategic Trade Policy
MM chapter 20

5. Preferential Trade Areas
MM chapter 21 and/or class notes (Weeks 14-15??)

6. The Political Economy of Trade Policy (Weeks 14-15??)
MM chapter 22 and/or class notes

Additional Notes:*Classroom Behavior*

Both students and faculty are responsible for maintaining an appropriate learning environment in all instructional settings, whether in person, remote or online. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with race, color, national origin, sex, pregnancy, age, disability, creed, religion, sexual orientation, gender identity, gender expression, veteran status, political affiliation or political philosophy. For more information, see the policies on [classroom behavior](#) and the [Student Conduct & Conflict Resolution policies](#).

Honor Code

All students enrolled in a University of Colorado Boulder course are responsible for knowing and adhering to the Honor Code academic integrity policy. Violations of the Honor Code may include, but are not limited to: plagiarism, cheating, fabrication, lying, bribery, threat, unauthorized access to academic materials, clicker fraud, submitting the same or similar work in more than one course without permission from all course instructors involved, and aiding academic dishonesty. All incidents of academic misconduct will be reported to the Honor Code (honor@colorado.edu); 303-492-5550). Students found responsible for violating the academic integrity policy will be subject to nonacademic sanctions from the Honor Code as well as academic sanctions from the faculty member. Additional information regarding the Honor Code academic integrity policy can be found on the [Honor Code website](#).

Accommodation for Disabilities

If you qualify for accommodations because of a disability, please submit your accommodation letter from Disability Services to your faculty member in a timely manner so that your needs can be addressed. Disability Services determines accommodations based on documented disabilities in the academic environment. Information on requesting accommodations is located on the [Disability Services website](#). Contact Disability Services at 303-492-8671 or dsinfo@colorado.edu for further assistance. If you have a temporary medical condition, see [Temporary Medical Conditions](#) on the Disability Services website.

Preferred Student Names and Pronouns

CU Boulder recognizes that students' legal information doesn't always align with how they identify. Students may update their preferred names and pronouns via the student portal; those preferred names and pronouns are listed on instructors' class rosters. In the absence of such updates, the name that appears on the class roster is the student's legal name.

Sexual Misconduct, Discrimination, Harassment and/or Related Retaliation

CU Boulder is committed to fostering an inclusive and welcoming learning, working, and living environment. University policy prohibits sexual misconduct (harassment, exploitation, and assault), intimate partner violence (dating or domestic violence), stalking, protected-class discrimination and harassment, and related retaliation by or against members of our community on- and off-campus. These behaviors harm individuals and our community. The Office of Institutional Equity and Compliance (OIEC) addresses these concerns, and individuals who believe they have been subjected to misconduct can contact OIEC at 303-492-2127 or email cureport@colorado.edu. Information about university policies, [reporting options](#), and support resources can be found on the [OIEC website](#). Please know that faculty and graduate instructors have a responsibility to inform OIEC when they are made aware of any issues related to these policies regardless of when or where they occurred to ensure that individuals impacted receive information about their rights, support resources, and resolution options. To learn more about reporting and support options for a variety of concerns, visit [Don't Ignore It](#).

Religious Holidays

Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. **Let me know if you have any religious obligations, have conflicts with scheduled exams, assignments or required attendance within the first week of class and we will make arrangements.** See the [campus policy regarding religious observances](#) for full details.

Requirements for COVID-19

As a matter of public health and safety, all members of the CU Boulder community and all visitors to campus must follow university, department and building requirements and all public health orders in place to reduce the risk of spreading infectious disease. CU Boulder currently requires COVID-19 vaccination and boosters for all faculty, staff and students. Students, faculty and staff must upload proof of vaccination and boosters or file for an exemption based on medical, ethical or moral grounds through the MyCUHealth portal.

The CU Boulder campus is currently mask-optional. However, if public health conditions change and masks are again required in classrooms, students who fail to adhere to masking requirements will be asked to leave class, and students who do not leave class when asked or who refuse to comply with these requirements will be referred to Student Conduct and Conflict Resolution. For more information, see the policy on classroom behavior and the Student Code of Conduct. If you require accommodation because a disability prevents you from fulfilling these safety measures, please follow the steps in the “Accommodation for Disabilities” statement on this syllabus.

If you feel ill and think you might have COVID-19, if you have tested positive for COVID-19, or if you are unvaccinated or partially vaccinated and have been in close contact with someone who has COVID-19, you should stay home and follow the further guidance of the Public Health Office (contacttracing@colorado.edu). If you are fully vaccinated and have been in close contact with someone who has COVID-19, you do not need to stay home; rather, you should self-monitor for symptoms and follow the further guidance of the Public Health Office (contacttracing@colorado.edu).

If you are sick and will need an excused absence, unless you are incapacitated, you must notify me immediately (by email) in order to obtain that excused absence status.

Any University policies that are in conflict with my own policies will supersede my policy!

A reply from one student to another on the discussion board for one of my colleague’s online classes: “If you read the course syllabus you will find the answer to your questions. If you do not understand what you read, I recommend you read multiple times. After reading the syllabus if you still have questions come back and I will try to help you as much as possible.”

