

Rutgers University

Economics 01:220:435:01 – International Trade

Basic Course Information

Contact Info:	Professor Thomas Prusa Email: prusa@econ.rutgers.edu Office: New Jersey Hall , Room 309, 2-8646 Office Hours: Monday, 1:00pm-3:00pm, and by appointment Twitter: @eco435spring2018 (for posting class announcements)
Class Times & Location:	Frelinghuysen Hall A6 (College Avenue Campus) M-Th Period 2, 9:50am-11:10am
Class website:	https://sakai.rutgers.edu/
Dept Website:	http://economics.rutgers.edu

Course Description

This course examines the microeconomic theory of international trade and trade policy. About half to two-thirds of the course will be devoted to developing a theoretical framework to improve understanding of the problems of international trade. We will examine the possibility of gains from trade, the nature of comparative advantage and the determination of patterns of trade, and the roles of scale economies, imperfect competition, and factor movements in an international economy. The rest of the course will consider the effects of protection (tariffs, non-tariff barriers, administered protection) and some aspects of the political process of the formation of trade policy. If time permits, we will conclude the course by examining international trade agreements.

Note: Major credit may be earned for only two of the three courses 220:300, 220:435, 220:436.

Course Prerequisites

Prerequisites are designed to protect you from taking courses that you are unprepared to successfully complete. You should follow the recommended prerequisites closely. The following courses are prerequisites for this course. You are expected to have mastered the material covered in these courses *before* taking this course.

- 220:102, Intro to Microeconomics
- 220:103, Intro to Macroeconomics
- 220:320, Intermediate Microeconomics
- 220:322, Econometrics

Required Text

The following textbook will help you successfully complete this course. The lectures will roughly follow the format of the textbook.

Robert C. Feenstra and Alan M. Taylor, *International Trade*

3rd edition: ISBN Number: 978-1429278447

4th edition: ISBN Number: 978-1319061739

I strongly encourage you to buy a used copy of either the 3rd edition or the 4th edition. It seems foolish to pay full price for a new textbook. All else equal the 4th edition is preferred but to tell you the truth not much has changed between the 3rd and 4th editions.

NOTE: The authors of the textbook (Feenstra and Taylor) have a similar book titled *International Economics*. That book has all the chapters we will need (and numerous additional chapters related to international finance that we will not cover). If you can purchase this book at an inexpensive price, it will be a suitable substitute for the assigned book.

Note: Feenstra and Taylor also have two other similarly titled books (*International Macroeconomics* and *Essentials of International Economics*). Do **not** purchase either of those books for use in this course.

Attendance

There is no formal attendance policy. Nevertheless, I strongly recommend that you attend lectures. Attending lectures is not a substitute for reading the book, nor is attending the lectures sufficient to fully understand the material. To get the most from this course you should both attend lecture and read the designated chapters.

Exam Dates:

Your grade in the course will be based on a total of 4 exams

- two exams given during the semester (Exams 1 and 2), taking the full class period (80 minutes), and
- two exams given during the final exam period (Exams 3 and 4).

Midterm Exam #1	Monday, February 26 th (in-class)
Midterm Exam #2	Monday, April 2 nd (in-class)
Final Exam	Monday, May 7 th , 8:00am–11:00am (Location: TBA)

Course Requirements

Each exam will consist of approximately 30 multiple-choice questions.

No calculators, cell phones, or any other electronic devices may be used during the exams.

Of the two exams given during the final exam period, the first is simply the third exam (Exam 3), and is a *required* exam. This exam will be given only during the first half of the final exam period.

The second exam given during the final exam period is an “*optional*” exam (Exam 4). It covers the same material as Exams 1 and 2. This exam (Exam 4) will be given only during the second half of the final exam period. If you take the optional exam (Exam 4) and do better on it than on either Exam 1 or Exam 2, I will replace the lower of your first two exam scores with your score on the optional exam. If you do worse on the optional exam than on Exams 1 and 2, the optional exam will not count.

If you miss one of the first two tests for any reason, the optional exam is the make-up exam. This means that if you miss one of the first two tests, you *must* take the optional exam. There are no exceptions to this policy. There is no make-up final unless you have a documented *serious* medical excuse (e.g., surgery).

How To Find Out How You Did On Your Midterm? Final?

Grades will be posted to the [RU Sakai](#) website. [Sakai](#) is the *only* way to find out how you have done on the tests. Exam grades will *not* be available via the phone, email, in-class, etc.

Grades

The following table shows the relationship between letter grades and the percentage of total points earned.

% of total points (p)	Letter Grade
$p > 85\%$	A
$85\% \geq p > 80\%$	B+
$80\% \geq p > 73\%$;	B
$73\% \geq p > 67\%$	C+
$67\% \geq p > 60\%$	C
$60\% \geq p > 50\%$	D
$50\% \geq p$	F

For instance, suppose your three midterm exam scores were 25, 21, and 23 (each exam has 30 questions).

Your total score is $25+21+23 = 69$; $69/90 = 76.67\%$ which is a letter grade of B.

Note that there are *no* extra credit assignments.

Regrade Policy

All requests for regrades must be submitted in writing within 7 days of the date when the exam is first returned to the class. Except in the case of mistakes in addition, I reserve the right to regrade the entire exam if it is submitted for a regrade.

Problem Sets

For each chapter I will post questions to the Sakai website. While these problem sets are not graded they should help you prepare for the exams.

Contacting Me

- You do not have to make an appointment to see me during my office hours.
- To make an appointment to meet outside of my office hours email me.
- I will try to have extra office hours before exams. Check the sakai website for announcements.
- Before emailing a question you should check the discussion board on the Sakai website to see if your question has already been asked (and answered) by one of your fellow classmates.
- Please post your question to the class discussion board. I and/or my TA will check the discussion board almost every day.
- You can also feel free to email with any question related to the class. I check my e-mail frequently. Let me emphasize, however, that questions of a general nature will likely be answered via a posting to the discussion board rather than a direct response.

Lecture notes

Lecture notes will be posted in advance of each period on the sakai webpage. Print them out and bring them to class. Having the class notes in front of you while I lecture will help you concentrate on the material I am presenting. Instead of having to take notes on everything I say, you can simply supplement the notes with what you think is important. You should bring colored pens and pencils to class. You might also want to bring a small ruler. We will be drawing a lot of graphs.

Reading List

- 1) Trade in the Global Economy
- 2) Trade and Technology: The Ricardian Model
- 3) Gains and Losses from Trade in the Specific-Factors Model
- 4) Trade and Resources: The Heckscher-Ohlin Model
- 5) Movement of Labor and Capital between Countries
- 6) Increasing Returns to Scale and Monopolistic Competition
- 7) Offshoring of Goods and Services
- 8) Import Tariffs and Quotas Under Perfect Competition
- 9) Import Tariffs and Quotas Under Imperfect Competition
- 10) Export Subsidies in Agriculture and High-Technology Industries
- 11) International Agreements: Trade, Labor, and the Environment

Rutgers Self-Reporting Absence Website

Students are expected to attend all classes. If you expect to miss one or two classes because of illness or a family emergency, please use the University absence reporting website

<https://sims.rutgers.edu/ssra/>

to indicate the date and reason for your absence. An email is automatically sent to me.

Special permission numbers

The economics department has a long-standing policy of not issuing special permission numbers for any economics class that is closed. The only way you can enroll in this class (or any other economics class) is to use the regular online registration system. Keep checking, and as soon as someone drops the course you want, grab the opening immediately.

Classroom Behavior

It is my experience that a remarkably large number of students do not know what constitutes appropriate classroom behavior. Here is a short list of “do’s and don’ts”.

- Be in your seat before the class starting time.
- Once the lecture begins, you should remain seated throughout the entire class.
- Put away your laptop computer. Computers are not allowed to be used during lecture.
- Do not read newspapers or have extended conversations with fellow students during class.
- Turn off all electronic devices such as cell phones, pagers, etc. You have been warned.

Academic Integrity

Cheating is totally unacceptable. The University has established severe penalties for cheating. The [University's policy on academic integrity](http://academicintegrity.rutgers.edu/integrity.shtml) is found in the official catalogue at <http://academicintegrity.rutgers.edu/integrity.shtml>.

I want to bring particular attention to one section of this policy:

Separable Violations

Separable violations are very serious violations of academic integrity that affect a more significant portion of the course work compared to nonseparable violations. Separable violations are often characterized by substantial premeditation or planning and clearly dishonest or malicious intent on the part of the student committing the violation. Below are some examples of violations that are most often considered separable. Again, the list is certainly not exhaustive and classification of a given violation as separable or nonseparable is always heavily dependent on the exact facts and circumstances of the violation.

- *A second nonseparable violation.*
- *Substantial plagiarism on a major assignment.*
- *Copying or using unauthorized materials, devices, or collaboration on a major exam.*
- *Having a substitute take an examination.*
- *Making up or falsifying evidence or data or other source materials for a major assignment, including falsification by selectively omitting or altering data that do not support one's claims or conclusions.*
- *Facilitating dishonesty by another student on a major exam or assignment.*
- *Intentionally destroying or obstructing another student's work.*
- *Knowingly violating research or professional ethics.*
- *Any violation involving potentially criminal activity.*

Sanctions for separable violations include, but are not limited to, one or more of the following, and may, but need not, involve suspension or expulsion:

- *A grade of XF (disciplinary F) for the course.*
- *Disciplinary probation.*
- *Dismissal from a departmental or school honors program.*
- *Denial of access to internships or research programs.*
- *Loss of appointment to academically-based positions.*
- *Loss of departmental/graduate program endorsements for internal and external fellowship support and employment opportunities.*
- *Removal of fellowship or assistantship support.*
- *Suspension for one or more semesters.*
- *Dismissal from a graduate or professional program.*
- *Permanent expulsion from the University with a permanent notation of disciplinary expulsion on the student's transcript.*

Department of Economics
Rutgers, The State University of New Jersey
February 2008

Learning Goals for Economics Majors

- 1) **Economic Literacy** – Students who complete the major in economics should understand and be able to articulate, both orally and in writing, the core economic principles, concepts and theories that form the foundation for modern economic analysis and economic research.
- 2) **Economic Numeracy** – Students who complete the economics major should be familiar with the tools, techniques and methods of empirical economics. They should be able to analyze data using computer applications and should be familiar with regression methods and other statistical techniques. They should be able to read and assess general interest articles on economic topics. In addition, they should be able to understand and evaluate key findings in published economic research from a wide range of sources including academic economists, public policy ‘think tanks,’ and government agencies.
- 3) **Economic Citizenship** – Upon completion of the major students should be able to apply their understanding of core concepts and quantitative tools to analyze and research real world problems and evaluate alternative economic policy proposals on microeconomic and macroeconomic issues.
- 4) **Economic Scholarship** – Qualified majors should have an opportunity through such avenues as advanced coursework, faculty interactions, national and local competitions and honors courses and programs to utilize up-to-date methodological tools and become fully engaged in economic research and issues on the frontiers of economics.