

Dartmouth College  
Department of Economics  
Spring 2015

### **ECONOMICS 39—INTERNATIONAL TRADE**

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Office Hours:  
Monday and Wednesday:1-2pm  
Or By Appointment

#### **COURSE DESCRIPTION**

The course covers the microeconomics of international trade, multinational firms and related issues of trade policies and international trade policy negotiations. We begin with a brief overview of the main conceptual themes and the history of trade flows and trade policy. We then develop a theoretical framework to help us understand 1.) why do countries trade with each other and what determines trade patterns across countries, 2.) whether trade is economically beneficial or harmful for a country, and 3.) how trade affects the distribution of income within a country. We apply these tools to understand the causes and consequences of past and current trade policy experiences in the U.S. and other countries.

Prerequisite: Economics 1.

#### **READINGS**

The main textbook is a draft manuscript of a textbook that is available on Canvas. You should purchase *Free Trade Under Fire (3<sup>rd</sup> edition)* by Douglas Irwin. This book provides a non-technical coverage of topics studied in the course. Links to additional readings consisting of articles from economic journals and popular press are available on Canvas.

#### **COURSE REQUIREMENTS**

Your grade in the course will be based on:

1. One in-class midterm exam, counting for 25% of the course grade scheduled for Friday, May 1. The exam will cover the lectures, the readings, and other materials handed out or discussed in class up to that time. Closed book midterm will be a mix of multiple choice, short answers, and longer problems.
2. Final exam, counting for 40% of the course grade, administered during a time slot assigned by the college (see syllabus). The final exam is cumulative. Closed book final will be a mix of multiple choice, short answers, and longer problems.

3. 6 problem sets counting for 20% of the course grade. Problem sets are due in class on dates indicated on the schedule. They are graded on check plus (5), check (4), check minus (2) basis.
4. 1 data assignment that examines empirical predictions of theory discussed in class counting for 10% of the course grade. You will work on data assignment with another student in the course. Please consult handout on data assignment for instructions.
5. Class participation counting for 5% of the course grade.

Exams must be taken when scheduled unless the absence is due to a documented illness or a family emergency. I encourage you to study for the exams with other students.

Should you have concerns about the grading of your midterm, you have one week after it is returned to resubmit it to me for a complete regrading.

If you are experiencing any problems with this class, please come talk to me as soon as possible so that these problems may be addressed.

#### **COURSE FORMAT, ASSIGNED READINGS, PROBLEM SETS AND SAMPLE EXAMS**

The various components of the course complement each other. While the lectures and textbook cover same economic models and concepts, the lectures do not simply follow the textbook. I will post PowerPoint slides from lectures on Canvas. These slides provide an outline of what we cover in class and do not substitute for class attendance and your own notes. Some of the technical material in the course will be posted as notes on Canvas.

You are expected to arrive prepared for classes. Before each class, you should check the Canvas for assigned materials, read the assigned textbook chapter, and complete any corresponding assignments posted on Canvas. These assignments will cover problems that review microeconomic tools from Economics 1, practice problems, and questions about the assigned readings.

You can download problem sets and data assignments from the Canvas. These assignments are an excellent way to keep up with the material in the course and to prepare for the exams. I encourage you to work on the problem sets with other students, but you need to write and turn in your own problem set. I will provide a detailed answer key for each problem set on Canvas.

I will provide additional practice problems, a practice midterm, and a practice final exam on Canvas.

## **STUDY GROUPS AND TUTORING**

The academic skills center (ASC) usually organizes formal study groups, led by former Econ 39 students, for this course, and provides one-on-one tutors upon request. Please contact ASC for additional information.

## **HONOR PRINCIPLE**

Students are expected to observe the College Honor Principle. Cheating is wrong: it harms honest students and devalues your Dartmouth education. It is also not worth it; it will gnaw your conscience for the rest of your life and the penalty will be huge if you are caught.

## **DISABILITIES**

Student with disabilities, including invisible disabilities like chronic diseases, learning disabilities, and psychiatric disabilities, who may warrant disability-related classroom accommodations for the exams, should contact me during the first week of class.

## **RELIGIOUS OBSERVANCE**

Some students may wish to take part in religious observances that fall during this academic year. Students with a religious observance that conflicts with your participation in the course should contact me during the first week of class.

## **X-HOURS**

The X-hour for this class is scheduled for Thursdays 9:00-9:50am (for 9) and Thursdays 12-12:50 (for 10 class). See the schedule for the list of X-hours.

### LECTURE CALENDAR AND READINGS

FT denotes readings from Free trade under fire. Please consult Canvas for the complete list of assignments and readings before each class. Problem sets (PS) and Data Assignment (DA) are due in class on the due dates noted on the schedule.

<b>Date</b>		<b>Topic</b>	<b>Textbook Readings</b>	<b>Other Required Readings</b>
03/30	Monday	Introduction		FT 1 (for PS 1)
04/01	Wednesday	Review of Microeconomics; Autarky and Free Trade Equilibrium	Ch 2	Microeconomic review handouts, slides
04/03	Friday	The Gains from Trade	Ch 3	
<b>Engines of Globalization: Why do countries trade?</b>				
04/06	Monday	Comparative Advantage	Ch 4	FT 2
04/07	<b>PS 1 Due</b>			
04/08	Wednesday	Comparative Advantage	Ch 4	FT 2
04/10	Friday	No class		
04/13	Monday	Comparative Advantage	Ch 4	FT 2
04/15	Wednesday	Trade, productivity and comparative advantage	Ch 4	FT 2 Discussion
04/16	Thursday <b>X Hour</b> <b>PS 2 Due</b>	Monopolistic Competition, increasing returns to scale (IRS)	Ch7, pp. 1-16	
04/17	Friday	Monopolistic Competition, and IRS	Ch7, pp. 1-16	
04/20	Monday	Firms and Trade	Ch7, pp. 16-24	Melitz and Trefler
04/22	Wednesday	Firms and Trade	Ch7, pp. 16-24	Melitz and Trefler
04/23	<b>X-Hour</b> <b>PS 3 DUE</b>	Trade and Factor Endowments	Ch 5.3 pp.12-18	
04/24	Friday	No class		
04/27	Monday	Trade and Factor Endowments	Ch 5.3 pp.12-18	Hanson
04/29	Wednesday	Review session		
05/01	Friday	Midterm		

Date		Topic	Textbook Readings	Other Required Readings
<b>The effects of trade on wages, employment, inequality</b>				
05/04	Monday <b>DA given</b>	Trade and wages in the long run	Ch 5 (pp. 18-27)	
05/06	Wednesday	Trade and wages in the long run	Ch 5 (pp. 18-27)	FT 6 (pp.204-218)
05/07	<b>Thursday X-hour</b>	Offshoring, jobs and wages		Feenstra
05/08	Friday	Offshoring, jobs and wages		Feenstra, FT 4
05/11	Monday	Who loses and gains from trade in the short run?	Ch 5.1, pp.1-12	FT 4
05/13	Wednesday <b>PS 4 Due</b>	Who loses and gains from trade in the short run? Specific Factor Model	Ch 5.1, pp.1-12	Autor et. al. (2012), FT 4
05/15	Friday	Trade, jobs, and wages		I 4 and FT 6 (pp.204-218)
<b>Trade Policy</b>				
05/18	Monday	Trade Policy	Ch 8	FT 7
05/20	Wednesday <b>PS 5 Due</b>	Import Tariffs, quotas	Ch 8	FT 3
05/22	Friday <b>DA Due</b>	Import Tariffs, Arguments for protection	Ch 8, 9	FT 3
05/25	Monday	No class		
05/27	Wednesday	Arguments for protection	Ch 9	FT 6
05/29	Friday <b>PS 6 Due</b>	Trade and Economic Development		FT 6
06/01	Monday	No class		
		Review session TBD		
06/07	Sunday	<b>Final Exam 8am</b>		