

**University of Wisconsin, Madison**  
**Economics 664: Issues in International Trade, Fall 2023**  
**Professor Lydia Cox**

**Logistics:**

- **Class Time and Place:** M-W, 4:00-5:15 pm, 4308 Social Sciences Building
- **Instructional Mode:** In person
- **Course Website:** <https://canvas.wisc.edu/courses/374068>
- **My Office:** 6456 Social Sciences Building
- **Office Hours:** Wednesdays, 10:00 am-12:00 pm. ([Sign-up link.](#))
- **Email:** [lydia.cox@wisc.edu](mailto:lydia.cox@wisc.edu)

**Course Description:** This course will cover advanced theoretical and empirical topics concerning the determinants of world trade patterns and trade policy. The theoretical focus will be on "New Trade Theory" models, where trade is generated by imperfect competition and increasing returns to scale. Additionally, we will cover data and empirical tools used for trade and trade policy analysis.

**Pre-Requisites:** Econ 301 or 311, Econ 310, and Math 217 or 221.

**Credits:** This class meets for two, 75-minute class periods each week over the fall/spring semester and carries the expectation that students will work on course learning activities (reading, writing, problem sets, studying, etc) for about 3 hours out of the classroom for every class period. The syllabus includes more information about meeting times and expectations for student work.

**Learning Goals:**

- Identify the reasons why countries trade.
- Apply economic analysis to evaluate the effects of trade on welfare of different groups.
- Understand different types of trade policy tools and their effects on different groups.
- Learn about data and empirical tools used for trade and trade policy analysis.

**Canvas:** I will post all relevant material (lecture notes, problem sets, supplemental reading material) for the course on Canvas. The course URL is <https://canvas.wisc.edu/courses/374068>. Problem sets should be submitted through Canvas.

**Grading:** Your grade will be based on four problem sets, a midterm exam, and a final project. (There will be no final exam.) Weights and dates for each component are below.

	Weight:	Date
Problem Sets	40%	See below.
Midterm Exam	25%	November 1, 2023
Final Project	30%	December 20, 2023
Class Participation	5%	--

**Problem Sets:** Tentative due dates for the four problem sets are below:

- Problem Set #1, due at 11:59 pm on September 29, 2023
- Problem Set #2, due at 11:59 pm on October 23, 2023
- Problem Set #3, due at 11:59 pm on November 20, 2023
- Problem Set #4, due at 11:59 pm on December 8, 2023

I will post problem sets at least two weeks before they are due. *Due dates are subject to change depending on how we are getting through material in class, and I reserve the right to add or subtract assignments as needed.*

Problem sets should be submitted through Canvas. *You may work with up to 1 partner on problem sets. If you work with a partner, you MUST declare this at the top of the assignment, and each pair should only hand in one assignment.*

**Final Project:** The final project will be to write a short policy memo, where you use analysis of economic data and theoretical reasoning to provide trade policy recommendations to the country of your choice. Further details on the assignment will be provided soon. You may discuss final projects with your peers, *but they must be completed individually and reflect individual work.*

**Class Participation:** Full credit for class participation will be given to students that regularly show up to class and are engaged during lectures. Repeated cell phone use or use of laptops for non-notetaking purposes will reduce your class participation grade.

**STATA:** For this class, we will rely on the use of the statistical software STATA. You can download this program for free from the Campus Software Library. Please make sure this software is up and running on your computer as soon as possible.

**Other Policies:**

- **Announcements and Email:** I will send out announcements for the course through Canvas. If you have questions, feel free to email me at [lydia.cox@wisc.edu](mailto:lydia.cox@wisc.edu). Please include ECON 664 in the subject of your message.
- **Phones:** Please refrain from using your cellphones in class. If your phone (or laptop) repeatedly detracts from your ability to remain engaged in class, you will lose class participation points (see above).
- **Special Accommodations:** Students requesting special accommodations should contact me during the first week of classes.
- **Use of AI:** Using generative AI like ChatGPT as a tool – for example, to brainstorm examples or help write code– is perfectly fine. On the other hand, plugging homework questions into ChatGPT and submitting the output as your own work is dishonest, a waste of time, and will not be tolerated. My recommendation is that you let me know when and how you use AI on your assignments and be sure to check any output from these tools carefully – they are not always accurate!

## Course Outline and Readings:

Recommended readings are listed below. I will update this list (on Canvas) throughout the semester and will send out links for supplemental material (e.g., newspaper articles, podcast episodes). I recommend getting one of the two textbooks below (you do not need to get both).

KOM = *International Economics Theory and Policy*, by Krugman, Obstfeld, and Melitz  
(10<sup>th</sup> Edition or later will suffice.)

FT = *International Trade*, by Feenstra and Taylor  
(Any addition.)

I will also reference chapters from the book, *Free Trade Under Fire*, by Doug Irwin, which can be downloaded for free here: <https://www.jstor.org/stable/j.ctvr0qr9q>

(\*) Denotes more advanced readings.

1. Neoclassical Trade Theory Review
  - The Ricardian Model (KOM Ch. 3; FT Ch. 2)
  - The Specific Factors Model (KOM Ch. 4; FT Ch. 3)
  - The Heckscher-Ohlin Model (KOM Ch. 5; FT Ch. 4)
2. The Gravity Model (KOM Ch. 1; FT Ch. 6.4)
3. New Trade Theory: Economies of Scale
  - KOM Ch. 7; FT Ch. 6
  - (\*) Scale Economies, Product Differentiation, and the Pattern of Trade (Krugman, 1980)
4. New Trade Theory: Heterogeneous Firms
  - (\*) The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity (Melitz, 2003)
  - (\*) Gains from Trade When Firms Matter (Melitz & Trefler, 2012)
5. Trade and Inequality
  - *Free Trade Under Fire*, Ch. 4
  - (\*) The China Syndrome: Local Labor Market Effects of Import Competition in the United States (Autor, Dorn and Hanson, 2013)
  - (\*) Trade Adjustment: Worker-Level Evidence (Autor, Dorn, Hanson & Song, 2014)
  - (\*) The Surprisingly Swift Decline of U.S. Manufacturing Employment (Pierce and Schott, 2016)
  - (\*) How Did China's WTO Entry Affect U.S. Prices? (Amiti, Dai, Feenstra & Romalis, 2020)
  - (\*) U.S. Exports and Employment (Feenstra, Ma, & Xu, 2019)

6. Trade Policy

- Instruments of Trade Policy (KOM Ch. 9; FT Ch. 8-9)
- The World Trading System (KOM Ch. 10; FT Ch. 11)
- *Free Trade Under Fire*, Ch. 7

7. Tariffs and Trade in Intermediate Inputs

- The Impact of the 2018 Tariffs on Prices and Welfare (Amiti, Redding, & Weinstein, 2019)
- (\*) Trade Liberalization and New Imported Inputs (Goldberg, Khandelwal, Pavcnik, & Topalova, 2009)

8. Industrial Policy

- KOM Ch. 11; FT Ch. 9.5-10
- Trade and Innovation

## **ACCOMODATIONS FOR STUDENTS WITH DISABILITIES**

The University of Wisconsin-Madison supports the right of all enrolled students to a full and equal educational opportunity. The Americans with Disabilities Act (ADA), Wisconsin State Statute (36.12), and UW-Madison policy (Faculty Document 1071) require that students with disabilities be reasonably accommodated in instruction and campus life. Reasonable accommodations for students with disabilities is a shared faculty and student responsibility. Students are expected to inform faculty [me] of their need for instructional accommodations by the end of the third week of the semester, or as soon as possible after a disability has been incurred or recognized. Faculty [I], will work either directly with the student [you] or in coordination with the McBurney Center to identify and provide reasonable instructional accommodations. Disability information, including instructional accommodations as part of a student's educational record, is confidential and protected under FERPA.

## **GRIEVANCE PROCEDURE**

The Department of Economics has developed a grievance procedure through which you may register comments or complaints about a course, an instructor, or a teaching assistant. The Department continues to provide a course evaluation each semester in every class. If you wish to make anonymous complaints to an instructor or teaching assistant, the appropriate vehicle is the course evaluation. If you have a disagreement with an instructor or a teaching assistant, we strongly encourage you to try to resolve the dispute with him or her directly. The grievance procedure is designed for situations where neither of these channels is appropriate.

If you wish to file a grievance, you should go to room 7238 Social Science and request a Course Comment Sheet, or contact our department administrator, Tammy Herbst-Koel (therbst@wisc.edu), to request one remotely. When completing the comment sheet, you will need to provide a detailed statement that describes what aspects of the course you find unsatisfactory. You will need to sign the sheet and provide your student identification number, your address, and a phone where you can be reached. The Department plans to investigate comments fully and will respond in writing to complaints.

Your name, address, phone number, and student ID number will not be revealed to the instructor or teaching assistant involved and will be treated as confidential. The Department needs this information, because it may become necessary for a commenting student to have a meeting with the department chair or a nominee to gather additional information. A name and address are necessary for providing a written response.

## **MISCONDUCT STATEMENT**

Academic Integrity is critical to maintaining fair and knowledge based learning at UW Madison. Academic dishonesty is a serious violation: it undermines the bonds of trust and honesty between members of our academic community, degrades the value of your degree and defrauds those who may eventually depend upon your knowledge and integrity.

Examples of academic misconduct include, but are not limited to: cheating on an examination (copying from another student's paper, referring to materials on the exam other than those explicitly permitted, continuing to work on an exam after the time has expired, turning in an exam for regrading after making changes to the exam), copying the homework of someone else, submitting for credit work done by someone else, stealing examinations or course materials, tampering with the grade records or with

another student's work, or knowingly and intentionally assisting another student in any of the above. Students are reminded that online sources, including anonymous or unattributed ones like Wikipedia, still need to be cited like any other source; and copying from any source without attribution is considered plagiarism.

The Department of Economics will deal with these offenses harshly following UWS14 procedures:

1. The penalty for misconduct in most cases will be removal from the course and a failing grade,
2. The department will inform the Dean of Students as required and additional sanctions may be applied.
3. The department will keep an internal record of misconduct incidents. This information will be made available to teaching faculty writing recommendation letters and to admission offices of the School of Business and Engineering.

If you think you see incidents of misconduct, you should tell your instructor about them, in which case they will take appropriate action and protect your identity. You can also choose to contact our department administrator, Tammy Herbst-Koel ([therbst@wisc.edu](mailto:therbst@wisc.edu)), and your identity will be kept confidential.

For more information, refer to <https://conduct.students.wisc.edu/academic-misconduct/>

## **INSTITUTIONAL STATEMENT ON DIVERSITY**

Diversity is a source of strength, creativity, and innovation for UW-Madison. We value the contributions of each person and respect the profound ways their identity, culture, background, experience, status, abilities, and opinion enrich the university community. We commit ourselves to the pursuit of excellence in teaching, research, outreach, and diversity as inextricably linked goals. The University of Wisconsin-Madison fulfills its public mission by creating a welcoming and inclusive community for people from every background - people who as students, faculty, and staff serve Wisconsin and the world.

## **MENTAL HEALTH AND VIOLENCE PREVENTION RESOURCES**

As a student you may experience a range of issues that can cause barriers to learning. These might include strained relationships, anxiety, high levels of stress, alcohol/drug problems, feeling down, or loss of motivation. University Health Services is here to help with these or other issues you may experience. You can learn about the free, confidential mental health services available on campus by calling 608-265-5600 or visiting [uhs.wisc.edu](http://uhs.wisc.edu). Help is always available. Experiences of sexual assault, sexual harassment, dating violence, domestic violence, and stalking affect many students on this campus and can create barriers to learning. UW-Madison is committed to fostering a safe, productive learning environment and offers a variety of resources and options for students impacted by violence. Learn about the free, confidential services available on campus and in the community by visiting [www.uhs.wisc.edu/assault](http://www.uhs.wisc.edu/assault).