

ECO364H1S – International Trade Theory
(This version: January 7th, 2021)
Section L0101/L9101 (Monday 2pm-4pm, online)
Section L0201/L9201 (Tuesday 2pm-4pm, online)

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Course Website: <https://q.utoronto.ca/courses/204223>

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Professor Morrow’s office hours: In class (3pm-4pm). You can attend either day.

TA office hours:

- Torsten Jaccard: Fridays 2pm-3pm ET
- Swapnika Rachapalli: Thursdays 8pm-9pm ET

Objectives: This course introduces key concepts of international trade. Specifically, we will develop a theoretical framework to analyze the global market for goods and services. These models allow us to analyze both the determinants of trade and the impact of trade on domestic economic activity. Having developed these models, we will explore the empirical literature to examine how the models match the facts regarding (but not limited to) trade and wages and the gains from trade. We will also spend time on the tools of trade policy and issues associated with political economy.

Synchronous/Asynchronous Content: Due to COVID-19 restrictions, we will not be meeting in person. I will be delivering a mix of synchronous and asynchronous content. The core material will be delivered asynchronously with links to videos posted on the course website. During course time, I will do problem solving and have more discussion-based content for roughly an hour. Synchronous content will also be recorded and posted to the course website. Attendance is not required but I would love to see you. Exam and quiz material will be based on both components. **The course Zoom link is in the “Announcements” section of the Quercus website.**

Syllabus: This draft represents by best guess/ambition for the material I want to cover this semester. If the past is any lesson, this will likely change such that I will update the readings as we progress. Please refer to the date at the top of this document for the most recent version of the syllabus. The version posted on Blackboard will always be the “right” version. In accordance with University of Toronto policy, the grading metric will not change without a simple majority of student votes (no quorum needed).

Exams: Exams will be on Crowdmark. You will have several opportunities to practice uploading material.

Exclusion: ECO230Y1/328Y

Prerequisites: ECO200Y1/ECO204Y1/ECO206Y1, ECO220Y1/ECO227Y1/(STA247H1, STA248H1)/
(STA250H1, STA255H1)/(STA257H1, STA261H1)

I expect that you will be able to perform basic calculus, including simple partial and total derivatives. I will also expect that you are able to perform simple linear regression using ordinary least squares and fixed effects (i.e. “dummy variables”). In a course this large, I have chosen to not make exceptions to the list of prerequisites.

Textbook: Krugman, Melitz, and Obstfeld, *International Trade: Theory and Policy* (International Trade Custom Edition), 11th Edition, Pearson, 2014 (referred to as KMO in what follows). This is an electronic edition.

I do not require you to buy the newest edition of the textbook, allowing you to look for used copies online (e.g. Amazon.com) at discounts. *However, you are responsible for the most recent material when the two editions diverge.*

Multimedia: At certain points, I may rely on multimedia. Specific examples are given the course outline. These include videos and podcasts. These will sometimes be presented in class and, at other times, you will be responsible for viewing them or listening to them outside of class. In addition to the *Planet Money* podcast on *National Public Radio*, an excellent podcast that focuses on issues of trade policy is *Trade Talks* from the *Peterson Institute for International Economics* (PIIE).

ACADEMIC MISCONDUCT

Students should note that I do not tolerate any form of academic misconduct. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties.

ABSENCE FROM EXAMS.

- If you miss the midterm due to illness or other *excused* absence and present a medical note within one week of the date of the test, a make-up exam will be given in the final week of classes if the note is accepted. Due to difficulties in arranging times that work for everyone after classes have ended, I reserve the right to invigilate the make-up exam outside of class hours. Failure to produce a medical note in time will result in a mark of 0 on the midterm. Other excuses (e.g. funerals and car accidents) must be accompanied by a note from a responsible adult that I can verify *in order for excusal to even be considered*. The validity of these excuses will then be evaluated by the undergraduate chair or myself. Only original documentation (i.e. not scanned, copied, or emailed) will be considered. The doctor’s OHIP registration number **must** be provided.
- I will NOT accept retroactive notes (i.e., student claims to have been sick on the day of the test, but met doctor at a later date). **In addition, students must email me the day of the test if they anticipate applying for an excused absence.**
- It is highly likely that I will ask to meet with you if you apply for an excused absence so that we can discuss your case in person.

- To be considered, an illness must render the student incapacitated and unable to take the exam. Vague illnesses such as “gastroenteritis”, “fever”, “inability to concentrate” will not be considered. In addition, in order for a doctor’s note to be accepted, the illness must be immediately verifiable to the doctor. Illnesses of the “student claims to be…” variety will not be accepted. In addition, “anxiety” or “stress” **is no longer an acceptable excuse**. If you have trouble with test conditions, please consult the **Access Ability Resource Centre** at the following webpage: <https://studentlife.utoronto.ca/service/accessibility-services-registration-and-documentation-requirements/>.
- The only acceptable medical notes are those provided by the University of Toronto Student Medical Certificate (see the Registration Handbook & Timetable for a copy of the certificate).
- The office of academic misconduct imposes a punishment of **suspension for 4 months for passing on fake sick notes**.
- The Faculty of Arts and Science select the dates for examinations within the final exam period. You must not make travel, employment or other plans that may conflict with the date chosen for the examination in this course and any such conflict will not be accepted as grounds for writing a deferred exam. Instructors cannot make special arrangements with students who miss the final exam. In the event that another instructor sets their test or exam during my class time, I have priority and they are obliged to offer a make-up time.

Additional Issues

- 1) **Technology:** it is your responsibility to have a strong internet connection and to be able to upload material. I do this not to be difficult or mean but rather because it is infeasible to assess the validity and details of students’ technology problems.
- 2) **Material:** Although the lectures will generally follow the textbook, they will depart frequently. The most priority should be on lecture slides and then the text. Materials mentioned in the text but not in the slides deserve less priority. Topics will sometimes be covered briefly in class with the expectation that you study them more closely in the text. I will explicitly say when this is the case.
- 3) **Weighting Scheme:**
 - Packback 15%
 - Problem Sets: 25%
 - Quizzes 25%
 - Midterm: 17%
 - Final Exam: 18%
 - Extra Credit: 2% (to be discussed the first day of class).
- 4) **Problem Sets:**
 - a. There will be 4-6 problem sets over the semester. Each will be graded “check +”, “check”, “check minus”, or zero. A “check plus” (100%) will result from a complete answering of all questions. A “check” (66%) will reflect work that had substantive gaps or unanswered questions. A “check minus” (33%) will result from a large number of incorrect or incomplete answers. If the problem set is not turned in, the student will get a zero.

- b. All homework should be submitted to the course website on Quercus. No paper copies should be turned in. All problem sets must be turned in by noon on the stated due date. No late problem sets will be accepted. In addition, no excuses will be considered and no make up work will be offered. People can work on problem sets “across sections” but, in so doing, forfeit any grievances regarding how each section is curved.
- c. You are allowed to turn in homework assignments in groups up to two people. Both students should submit a copy of the problem set to portal and both names should be on the assignment.

5) Packback

- a. We will be using the online platform [Packback](#). Participation is a requirement for this course, and the Packback Questions platform will be used for online discussion about class topics. Packback Questions is an online community where you can be fearlessly curious and ask open-ended questions to build on top of what we are covering in class and relate topics to real-world applications. This is used in a number of other economics courses including Introduction to Microeconomics (ECO 101) and International Finance (ECO 365). I will do an intro of this during the synchronous portion of the first day of class.
- b. How to Get Help from the Packback Team:
 - i. If you have any questions or concerns about Packback throughout the semester, please read their FAQ at help.packback.co. If you need more help, contact their customer support team directly at help@packback.co. If they do not respond within a reasonable amount of time, please email your TA.
 - ii. For a brief introduction to Packback Questions and why we are using it in class, watch this video: vimeo.com/packback/Welcome-to-Packback-Questions
- c. How to Register on Packback: An email invitation will be sent to you from help@packback.co prompting you to finish registration. If you don't receive an email (be sure to check your spam), you may register by following the instructions below:
 - i. Create an account by navigating to <https://questions.packback.ca> and clicking “Sign up for an Account” Note: If you already have an account on Packback you can log in with your credentials.
 - ii. Then enter our class community's lookup key into the “Looking to join a community you don't see here?” section in Packback at the bottom of the homepage. Community Lookup Key: d8407eb0-1638-4d20-b1c8-5454b055f358 Follow the instructions on your screen to finish your registration. Packback may require a paid subscription. Refer to www.packback.co/product/pricing for more information.
- d. Your participation on Packback will count toward 15% of your overall course grade.
- e. There will be a weekly Friday at 6pm EST deadline for submissions. In order to receive your points per week, you should submit the following per each deadline period:

- i. 1 open-ended Question per week with a minimum Curiosity Score of 55, each worth 33.33% of each assignment grade.
 - ii. 2 Responses per week with a minimum Curiosity Score of 55, each worth 66.67% of each assignment grade.
 - iii. Half credit will be provided for questions and responses that do not meet the minimum curiosity score.
 - iv. I also ask you to include some citation link in your response. Again, the quality will not be assessed by the Packback Attendant but we can see who you are and what you can assess.
 - v. One of the nice things is that it uses text recognition to show a range for your assessment as you write your response. In this way, you will know if you are likely to have attained the minimum *before* you submit your response.
- f. I will put up a prompt each Tuesday night due by 7pm each Friday.
- 6) **Quizzes:** each week there will be a short 5-minute online quiz. This will be comprised of 5 multiple choice questions on Quercus. Questions will be randomized across students. It will be at 2:30 in the relevant class. There will be 11 of these starting the week of January 18th. There will not be one in reading week. Your lowest mark will be dropped to take into account technology and technological issues. You will only be able to access the quiz on the day for which you are registered. This means that each quiz that is not dropped will count for 2.5% of your final mark.
- 7) **Supplementary materials.** The supplementary readings serve more than a single purpose. They will find real world examples of some of the concepts we discuss in class. They will also include written work by leading economists on topics that offers new evidence and interpretation of the models and debates presented in class. I explicitly reserve the right to update the reading list as the semester progresses.
- 8) **Preparing for exams:** Exams will be a mix of multiple choice and “problem solving” questions. These will be in class during class hours. While there will be some straight-forward questions, there will also be questions that will ask you to apply the analytic tools you use in the class to new problems. Details will be discussed as the midterm approaches. The final exam will be comprehensive.
- 9) **Test Score Appeals:** appeals will be conducted according to the following procedure:
- a) Please type a short paragraph (3-4 sentences) explaining the grievance and why you should obtain additional points. To be entertained, there must be a clear mistake in the grading relative to the posted answer key. If there is a clear mistake in the answer key, this is another possible reason for a re-grade. Give a pdf of this document to me or to your TA. You must turn in this appeal by the end of class the week following the week in which exams are first handed back.
 - b) Conditional on this argument being found persuasive by me, the *entire* exam will be re-graded. Your score can go up or down. Grading is an imprecise science; points are often given that are not deserved and taken away when they are deserved. Please think carefully about your choice of

whether to appeal a mark. Note: This does not apply to trivial appeals such as points being added incorrectly.

10) Important dates:

January 11 th :	Winter term classes begin
February 15 th -19 th :	Reading Week (no class)
February 22 nd :	L0101 (Monday) Midterm
February 23 rd :	L0201 (Tuesday) Midterm
April 5 th :	Last class (L0101)
April 6 th :	Last class (L0201)
April 13 th -23 rd :	Final exam period

11) Email Policy:

I will respond to e-mail within 24 hours on a weekday, 48 hours on a weekend, according to the following policy:

- a) I only respond to e-mails posing questions that can be answered in a sentence or three. For more involved questions, please come to virtual office hours.
- b) I do not reply to e-mails that request information that can be found on the website or the syllabus, so you should check those places first.
- d) Use proper grammar in your emails. I do judge you based on how you write.
- e) Please use official "utoronto.ca" email accounts for all communication.

12) **References:** Your college career may involve asking professors to recommend you for graduate programs, jobs, or internships. Please be aware that professors are not obligated to write references for any student who asks us. I *strongly prefer* to only write a reference for a student if I can write a very positive and specific one. Generally, I prefer to only write such letters for those who obtain a score of 85 or above although exceptions might be made for those with whom I have (positively) interacted with frequently. If you ask me to write you a letter, I will go back to your Packback responses to gauge your engagement.

COURSE OUTLINE

1. Introduction: facts about trade, globalization, and the Gravity Model.

- KMO chapters 2
- *The Economist* "[Down to Earth](#)", September 29th, 2016
- *The Economist* "[Unfavourable Trade Winds](#)", March 26th, 2016

2. The Ricardian Model

- KMO ch 3
- *The Economist*, "[Trade winds](#)", November 6th, 1997
- *MIT News*, "[Economists find evidence for famous hypothesis of comparative advantage](#)", June 20th, 2012

3. Specific Factors and Income Distribution

- KMO ch 4

4. The Factor Proportions/Heckscher-Ohlin Model

- KMO ch 5
- Hanson, Gordon & Matthew Slaughter (2002) "[Labor-market adjustment in open economies: Evidence from US States](#)," *Journal of International Economics* pg. 3-29 (introduction)
- Gandal, Neil & Gordon Hanson & Matthew Slaughter (2004) "[Technology, trade, and adjustment to immigration in Israel](#)," *European Economic Review* pg. 403-428 (introduction)
- *The Economist*, "[In the shadow of prosperity](#)", January 18th, 2007
- *New York Times*, "[How Convincing is the Case for Free Trade](#)", February 11th, 2011
- *The Economist*, "[An Inconvenient Iota of Truth](#)", August 4th, 2016

5. Trade and Wages and Offshoring

- KMO ch 5
- Autor, David & David Dorn & Gordon Hanson, "[The China Syndrome: Local Labor Markets of Import Competition in the United States](#)", *American Economic Review*, 2013 (introduction)
- Autor, David & Frank Levy & Richard Murnane, "[The Skill Content of Recent Technological Change: An Empirical Exploration](#)", *Quarterly Journal of Economics*, 2003 (introduction)
- Bloom, Nicholas & Kyle Handley & Andre Kurman & Phillip Luck, "[The Impact of Chinese Trade on U.S. Employment: the Good, the Bad, and the Debateable](#)", *working paper*, 2019.
- *New York Times*, "[Back to Made in America](#)", September 19th, 2013 (VIDEO)
- *Wall Street Journal*, "[Routine Jobs are Disappearing](#)", January 3rd, 2017

6. Trade Policy and Political Economy and (maybe) COVID issues (e.g. supply chains)

- KMO ch. 9 and 10
- Amiti, Mary & Stephen Redding & David Weinstein, "[The Impact of the 2018 Trade War on U.S. Prices and Welfare](#)", *working paper*, Princeton University, March 2019
- Bown, Chad "United States Special Protection in Historical Perspective: 1974-2019", *slide deck (see Quercus)*
- Fajgelbaum, Pablo & Goldberg, Penny & Kennedy, Patrick & Khandelwal, Amit "[The Return to Protectionism](#)", *NBER Working Paper*, 2018.
- *Bloomberg*: "[Evidence Grows That Trump's Trade Wars are Hitting the US Economy](#)", March 4th, 2019
- *Wall Street Journal*, "[US Steel Tariffs Create Double-Edged Sword](#)", May 31st, 2016
- *Washington Post* "[Remember Bush's 2002 steel tariffs? His chief of staff warns Trump not to do the same](#)" March 6th, 2018
- *The Economist*, "[The Problematic Proposal](#)", August 11th, 2016
- *The Economist*, "[Hard Bargain](#)", October 1st, 2016

7. Trade under Imperfect Competition/Firm Heterogeneity

- KMO ch. 8
- Melitz, Marc & Daniel Trefler "[Gains from Trade When Firms Matter](#)" *Journal of Economic Perspectives*, 2012
- Virginia Postel, "[Economic Scene](#)", *New York Times*, January 27th 2005, Page C2.

APRIL EXAM:
TBA