

ECO364H1S – International Trade Theory
(This version: January 13th, 2024)
Section L0101 (Tuesday 10am-1pm): SS 2118
Section L0201 (Tuesday 2pm-5pm): SS 2102

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Course Website: <https://q.utoronto.ca/courses/339550>

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Professor Morrow's office hours: W 1pm-2pm or by appointment (GE 336)

TA office hours:

- Vanya Georgieva: Wednesday, 9am-10am (GE 213)
- Mahmood Haddara: Thursday, 10am-11am (GE 213)

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.

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 Quercus 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: The midterm will be **in-class** on February 13th, 2024. You must take the exam in the section in which you are enrolled. For example, if you are enrolled in L0101, you must take the exam starting at 10am. The final exam date will be announced by the Faculty Registrar.

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: Robert Feenstra and Alan Taylor, *International Trade* (5th Edition, Pearson, 2020 (referred to as FT in what follows). 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. Electronic versions should be the same. *However, you are responsible for the most recent material when editions diverge.*

Multimedia: At certain points, I may rely on multimedia. These include videos and podcasts. Specific examples are given in the course outline. 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.

- In accordance with university policy, I will accept any of the four following recognized forms of documentation.
 - Absence Declaration via ACORN
 - U of T Verification of Illness or Injury Form (VOI)
 - College Registrar's letter
 - Letter of Academic Accommodation from Accessibility Services
- o Students must self-declare an absence on Acorn. In addition, students are required to email me by 9am ET the day of the exam if they need to declare an absence. Importantly, students can self-declare one absence (of up to seven days) each term. (That’s once per term, not once per course.)

- **Generative AI Policies:** You may **not** use generative AI for Packback. This is meant to keep you engaged and not isolated. Regardless, Packback claims to be able to detect generative AI. Because it is meant for practice and generally unenforceable, I am allowing you to use generative AI for problem sets. Exams will be in class and therefore generative AI is obviously prohibited.
- Do not take two classes at the same time. I will not allow you to take an exam at a non-standard time. If another instructor sets their test or exam during my class time, I have priority and they are obliged to offer a make-up time.
- 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. I will not make special arrangements with students who miss the final exam.

Additional Issues

1) **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.

2) **Weighting Scheme:**

Packback: 10%

Problem Sets: 20%

Midterm: 35%

Final Exam: 35%

3) **Problem Sets:** There will be between 4 and 6 problem sets. Each will be graded “check +”, “check”, “check minus”, or zero. A “check plus” (100%) will result from a complete answering of all questions with small number of mistakes (if any). What comprises a “small number” is at the discretion of the grader. A “check” (66%) will reflect work that had substantive gaps or any unanswered questions. A “check minus” (33%) will result from many incorrect or incomplete answers. Again, what is “many” is at the discretion of the grader. All subjective statements will be consistently defined within a section (i.e. what is “many” or “a small number”). If the problem set is not turned in or shows little effort (as judged by the grader), the student will get a zero.

- a. 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 10am on the

stated due date as given in class. No late problem sets will be accepted. Your lowest problem set score will be dropped. This is meant to account for unexpected life circumstances (e.g. sick relatives or roommates).

- b. 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. People can work on problem sets “across sections” but, in so doing, forfeit any grievances regarding how each section is curved at the end of the semester.
- 4) **Packback:** We will be using the online platform [Packback](#). Participation is a requirement for this course. Packback 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. I will do an intro of this during the first day of class.
- a. 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
 - b. 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: **34696d65-90ae-4cd1-8991-3877fe7661f4**
 - c. Your participation on Packback will count toward 10% of your overall course grade.

- d. There will be a weekly Friday at 7pm EST deadline for Packback submissions. The first submission is due January 26th, 2024. 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.
 - e. I will put up a prompt each Monday night due by 7pm each Friday.
- 5) **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.
- 6) **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.
- 7) **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 regrade. 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. If there is an obvious error such as points being incorrectly added, no such document is needed.

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.

8) Important dates:

January 9 th	Winter term classes begin.
January 16 th	Waitlists close for S classes.
January 21 st	Last day to enroll in S classes.
February 13 th	Midterm.
February 19 th -23 rd	Reading Week (no class).
March 5 th	10% of marks returned by this date.
March 11 th	Last day to drop class.
April 2 nd	Last class.
April 10 th -30 th	Final exam period.

Important University dates can be found [here](#).

9) Email Policy:

Please email your TAs with questions before you email me. If the question is simple, I will forward your email to them immediately. For emails that require my attention, 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 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 judge you based on how you write.
- e) Please use official "utoronto.ca" email accounts for all communication.

10) References: Due to the size of the class, I am very restrictive regarding for whom I am willing to write letters. A minimum qualification is active participation in class. If I do not recognize your name and you cannot point to multiple specific interactions, I do not write reference letters. In addition, I prefer to only write such letters for those who obtain a score of 85 or above although exceptions are more likely to be made for this than for the class participation rule.

COURSE OUTLINE:

Dates Below are Preliminary Guesses and Subject to Revision Depending on Pace

Part 1: Introduction and Gravity (Lectures 1 and 2)

- Lecture Slides.
- **Problem set 1.**

Part 2: The Ricardian Model (Lectures 2-4)

- FT chapter 2
- *New York Times*, "[How Convincing is the Case for Free Trade](#)", February 11th, 2011
- *MIT News*, "[Economists find evidence for famous hypothesis of comparative advantage](#)", June 20th, 2012
- **Problem set 2**

Part 3: The Specific Factors Model (Lectures 4-5)

- FT Ch. 3
- *The Economist*, "[In the shadow of prosperity](#)", January 18th, 2007
- *The Economist* "[Unfavourable Trade Winds](#)", March 26th, 2016
- *The Economist* "[Down to Earth](#)", September 29th, 2016
- **Problem set 3**

MIDTERM
February 13th, 2024

Part 4: Trade and Wages (Lecture 6)

- FT Ch. 7
- Autor, David & David Dorn & Gordon Hanson, "[The China Syndrome: Local Labor Markets of Import Competition in the United States](#)", *American Economic Review*, 2013 (introduction)
- *Bloomberg Businessweek*, "[Washington Hasn't Learned the Real Lesson of the China Shock](#)", December 10, 2021
- Autor, David & Frank Levy & Richard Murnane, "[The Skill Content of Recent Technological Change: An Empirical Exploration](#)", *Quarterly Journal of Economics*, 2003 (introduction)
- *New York Times*, "[Back to Made in America](#)", September 19th, 2013 (VIDEO)
- Eloundau, Tyna and Sam Manning and Pamela Mishkin and Daniel Rock, "[GPTs are GPTs: An Early Look at the Labor Market Impact Potential of Large Language Models](#)" (2023), *Working Paper*.

- *Foreign Affairs*, "[The China Shock's Lessons for the Green Economy](#)", November 8th, 2021
- *Washington Post*, "[Ford Slashing 3000 jobs as it looks to make EV Transition](#)", August 22nd, 2022
- *Washington Post*, "[California moves towards banning new car running only on gas by 2035](#)", August 24th, 2022.

Part 6: Firms in the Global Economy (Lectures 7-8)

- FT Ch. 6
- <https://tradetalkspodcast.com/podcast/198-inside-washingtons-lobbying-industry/>
- Dizikes, Peter, "[Illuminating the Money Trail](#)", *MIT News*, April 16th, 2023
- Bown, Chad. (2023) "[Inside Washington's lobbying industry](#)," *Trade talks*, Peterson Institute for International Economics.
- **Problem set 4.**

Part 5: The Instruments and Political Economy of Trade Policy (Lectures 9-11)

- FT 8,9,10
- Beaumont-Smith, Gabriella, "[Trade in Real Life: Sorry Charlie \(and Senator Warner\) for Terrible Tuna Tariffs](#)", *Cato at Liberty*, June 12th, 2023
- *Washington Post* "[Is Trump right when he tweets that tariffs bring in government revenue? Here are 5 things you need to know.](#)" July 16th, 2019
- *Wall Street Journal*, "[US Steel Tariffs Create Double-Edged Sword](#)", May 31st, 2016
- *The Economist*, "[Hard Bargain](#)", October 1st, 2016
- 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
- *Financial Times*, "[Why no one knows the source of every car part — and why it matters](#)", February 20th, 2020
- Chad Bown "[The Challenge of Export Controls](#)", June 2023, *Finance and Development*
- Washington Post "[Canada turned to the WTO because Trump has threatened NAFTA](#)", January 30th, 2018
- *Bloomberg*: "[Evidence Grows That Trump's Trade Wars are Hitting the US Economy](#)", March 4th, 2019
- Chad Bown and Soumaya Keynes, "[Why Trump shot the sheriffs: the end of WTO dispute settlement 1.0](#)", March 2020
- *New York Times*, "[The WTO is Having a Midlife Crisis](#)", December 17th, 2020
- *Bloomberg*, "[WTO Closes Darkest Chapter in Its History With Eyes on 2021 Rebirth](#)", December 17th, 2020
- *Trade Talks*, "[Semiconductors and US Export Bans from Huawei to SMIC](#)", December 20th, 2020

-Scott Lincicome and Inu Manak [“Protectionism or National Security? The Use and Abuse of Section 232”](#), March 9th, 2021

- *Washington Post*, [“Days before Europeans warned Iran of nuclear deal violations, Trump secretly threatened to impose 25% tariff on European autos if they didn’t”](#), January 15th, 2020

- Cecilia Malström, [“The EU should use its trade power strategically”](#), January 4th, 2022

- *The Economist*, [“Subsidies and protection for manufacturing will harm the world economy”](#), June 13th, 2023

- *Financial Times*, [“China escalates tech battle with review of US chipmaker Micron”](#), April 1st, 2023

- **Problem set 5 and (maybe) 6.**

Part 7: The Future of Globalization (Lecture 12)

- *McKinsey*, [“Globalization in transition: the future of trade and value chains”](#), January 16th, 2019

- *Wall Street Journal*, [“Globalization in Retreat”](#), December 16th, 2020

- *The Economist*, [“Is a wave of supply chain reshoring around the corner?”](#), December 16th, 2020

- *Financial Times*, [“Critical Goods: Don’t Get By on Your Own Supply”](#), May 17th, 2021

- Bown, Chad and Yilin Wang, [“Five years into the trade war, China continues its slow decoupling from US exports”](#), *Peterson Institute for International Economics*, March 16th, 2023

- Bown, Chad. (2023) [“US-China trade war fallout: This is what decoupling looks like,”](#) *Trade talks*, Peterson Institute for International economics.

- *Wall Street Journal*, [“Untangling the U.S. From China’s Economy Is Messy”](#) July 21st 2023

- *New York Times*, [“Inside Taiwan Chip Giant, a U.S. Expansion Stokes Tensions”](#), February 22nd, 2023

- Chad Bown, [“The False Allure of Managed Trade”](#), December 17th, 2021

- John Cassidy [“Biden’s New Green Jobs and Boosting Purple And Red States”](#), *The New Yorker*, April 28th, 2023

- Andy Bounds, [“Car subsidies deliver electric shock to US-EU trade relations”](#), *Financial Times*, August 22, 2022.

- Chad Bown [“Industrial Policy for electric vehicle supply chains and the US-EU fight over the Inflation Reduction Act”](#), *Working Paper*, May 2023

- Chad Bown [“How the United States solved South Korea’s problems with electric vehicle subsidies under the Inflation Reduction Act”](#), *Working Paper*, July 2023