ECON6546-701 INTERNATIONAL TRADE Spring 2016

Instructor: Dr. Miao Wang
Meeting Time: M 5:30-8:30pm
Meeting Location: DS375

Instructor Office: 408 Straz Hall
Telephone: 414-288-7310
E-mail: grace.wang@marquette.edu
Office Hours: M 1-1:50pm, 3:30-5:00pm; W 12:30-1:50pm, and by appointment
Emails and voice mails received on weekdays will be replied within 24 hours. Those received over the weekend will be replied on Monday.

Text and Related Materials: Course readings might be assigned as particular topics are covered. Students are expected to read all articles, handouts, etc. as assigned. This course does not require purchasing a textbook. The reason is a Masters-level text does not exist for this particular subject. Below are a few very helpful textbooks. You will find that some concepts presented in these books are at a relatively higher level than what this type of course requires. Therefore, students do not have to purchase them, and they are listed here simply as suggestions:


A copy of Appleyard and Field is kept in the library on reserve for periodic reference.

Lectures and D2L: I use a combination of PowerPoint slides and white board illustration. Other supplementary materials will be either posted on line or handed out in class. Students are responsible for checking the course D2L site on a frequent basis. In addition, I might also communicate with the class using the email function in D2L.

Course Description and Objectives: Globalization, a major force affecting corporations and economic institutions, has become the center of attention during the past few decades. As Husted and Melvin put it, “At the beginning of the twenty-first century, international trade plays a larger role in the world economy than at any other time in history. We live at a time when many corporations are truly global and consumers have access to a wide variety of goods produced all over the world.” This course is to familiarize students with major trade theories at a rigorous level and with issues that arise in open economy setting and skills needed to analyze such issues. After completing the course, students should be able to firmly discuss international trade issues and have a solid understanding of the econometric tools used by international economists.
As we use verbal, geometric and mathematical tools of analysis, students must become familiar with each. In particular, this course includes:

1. Theories of International Trade
   Trade theory explains how international trade can happen and the consequences of trade. This section covers theories of International Trade as well as empirical evidence.

2. International Factor Movements
   Multinational enterprises (MNEs) have become the core of international production and globalization. In this section, we investigate issue related to international labor and physical capital movements.

3. Trade Policy and the Welfare Effects
   This section includes governments’ restrictions on international trade such as tariffs and non-tariff trade barriers. We will cover the theoretical impact of these policies in terms of economic welfare or total surplus in an economy. The Cournot strategic trade policy model will be discussed as an argument for trade restrictions. In addition, we will look at trade policies in different countries.

4. International Integration
   This section covers trade organizations, such as the World Trade Organization (WTO), and different types of regional trade agreements.

This course will heavily utilize theory along with econometric analysis. Therefore, even though there are no stated prerequisites for this class other than admission to the MSAE program, it is expected that students have a solid understanding of micro and macro theory at least at the intermediate level. Additionally, it is expected that students have a strong grasp of the basic empirical tools used by economists generally (i.e. knowledge of the theory and application of ordinary least squares along with standard estimation issues such as heteroskedasticity, etc.). If students feel deficient in one of these areas, then they are urged to see me as soon as possible and/or review one or more of the following textbooks:

- Microeconomics by Goolsbee, Levitt and Syverson
- Macroeconomics 8th edition by Mankiw

**Exams:** These account for 40% of your course grade. There will be two non-cumulative exams including one midterm and a final. Test outlines and practice questions with answer keys to practice questions will be posted in D2L before each exam. Questions in an exam are designed to test the ability to understand basic principles or definitions, the explicit application of theories and models, and the implicit application of theories and models. The difference between explicit and implicit applications is that explicit questions disclose to the student the theories that are being tested whereas implicit questions require the student to realize on their own the appropriate theories or models to be applied. Questions are graded on both content and presentation of argument. If I can’t read a response, it will not be graded.

**Take-home Quizzes:** These account for 20% of your course grade. Throughout the semester, a few take-home quizzes will be assigned. The goal of these is to have students get hands-on experience working with the theories discussed in class. There will be questions requiring you to work with data and a statistical software package. Students are required to use Stata
for these quizzes. If students are familiar with SAS, EViews, R, or SPSS and wish to use those packages for the empirical term paper (described below), it is fine.

Each take-home quiz will be posted in D2L along with instructions and a due date. Students should not work together on these. As these are take-home quizzes, the answers provided are expected to be well thought out, complete, and well written.

**Empirical Paper:** This accounts for 24% of your course grade. Each student would write an empirical research paper on topics related to trade or foreign direct investment (FDI). The components of this project include a proposal (4%) and the final paper (20%). A separate document will describe the paper in detail.

**In-class presentation:** This accounts for 12% of your course grade. Students will make a presentation on your empirical term paper. A separate document will describe the presentation in detail.

**Class participation:** Class participation accounts for the remaining 4% of your course grade. Class participation is assumed as part of your minimum requirements. Indeed it is essential for the success of this type of class. Students will be called upon to answer questions in class about or to summarize assigned readings.

**Important Dates:** All take-home quizzes and empirical paper related assignments are due both at the beginning of class on the due day and in D2L dropbox. Dropbox copies should be submitted by 5:30pm on the due day and hard copies are always due at the beginning of class. Emailed copies and those left in my mailbox will only be accepted under extreme circumstances and must be cleared with me ahead of schedule. Late submissions will not be accepted and no makeup exams will be given. The final exam will not be offered later in the week.

<table>
<thead>
<tr>
<th>Term paper proposal</th>
<th>Due on Feb. 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm</td>
<td>March 7</td>
</tr>
<tr>
<td>Paper</td>
<td>Due on April 25</td>
</tr>
<tr>
<td>In-class presentations</td>
<td>April 25 and May 2</td>
</tr>
<tr>
<td>Final Exam</td>
<td>May 9</td>
</tr>
</tbody>
</table>

**Grading Policy:**

- 93-100 A
- 88-92.99 AB
- 81-86.99 B
- 76-80.99 BC
- 70-75.99 C
- Below 70 F

If needed, do not hesitate to discuss your grading with me. Please note that the discussion must be done **within 10 days** following the return of the assignment, quiz or the exam. Otherwise, the grade will stand as originally recorded.
Attendance and ClassroomCourtesy: Attendance will be taken in this class if necessary. Please arrive on time. If you must leave class early, please notify me at the beginning of the class. While in class, please respect the right of your fellow classmates and the professor to a quiet and orderly class atmosphere by turning off your cell phone. The Marquette University Graduate School of Management considers regular class attendance an important component of the learning process. I understand that circumstances may arise that cause you to miss a class. You have, however, made a sixteen-week commitment to this course. If you miss a class you are responsible for class notes and catching up. Assignments cannot be turned in late. In this class, two missed sessions constitute excessive absence. This will result in your grade being lowered by one full letter (e.g. A to B). Three missed session will result in withdrawal from the course.

Academic Honesty: Ethical behavior is necessary to be successful. That behavior begins here. Collaboration certainly enhances the learning process. Because of this, I encourage students to discuss your research project with other students throughout the semester. However, students are not allowed to work with other students on take-home quizzes. Students should not copy other students’ work in exams either. The University has a very specific honesty policy. Here is the link to the policy: [http://bulletin.marquette.edu/schoolofmanagement/academicregulations](http://bulletin.marquette.edu/schoolofmanagement/academicregulations)

Please take some time to read and understand this policy. Let me know if you have any questions about this policy or the consequences of dishonest behavior. Regardless of how alleged acts of academic dishonesty are brought to light, the University Academic Integrity Council retain the responsibility and authority to investigate the allegations.

The Honor Pledge: I recognize the importance of personal integrity in all aspects of life and work. I commit myself to truthfulness, honor, and responsibility, by which I earn the respect of others. I support the development of good character, and commit myself to uphold the highest standards of academic integrity as an important aspect of personal integrity. My commitment obliges me to conduct myself according to the Marquette University Honor Code.

Definitions of Academic Dishonesty:
Academic dishonesty applies equally to electronic media and print and involves text, images and ideas. It includes but is not limited to the following examples:

**Cheating**
1. Copying from others during an examination.
2. Communicating exam answers with other students during an examination.
3. Offering another person’s work as one’s own.
4. Taking an examination for another student or having someone take an examination for oneself.
5. Sharing answers for a take-home examination or assignment unless specifically authorized by the instructor.
6. Tampering with an examination after it has been corrected and then returning it for more credit.
7. Using unauthorized materials during an examination.
8. Allowing others to do the research and writing of an assigned paper (including use of the services of a commercial term-paper company).

Dishonest conduct
1. Stealing or attempting to steal an examination or answer key from the instructor.
2. Changing or attempting to change academic records without proper sanction.
3. Submitting substantial portions of the same work for credit in more than one course without consulting all instructors involved.
4. Intentionally disrupting the educational process in any manner.
5. Allowing another student to copy off of one's own work during a test.

Plagiarism
Plagiarism is intellectual theft. It means use of the intellectual creations of another without proper attribution. Plagiarism may take two main forms, which are clearly related:
1. To steal or pass off as one's own the ideas or words, images or other creative works of another, and
2. To use a creative production without crediting the source, even if only minimal information is available to identify it for citation.

Credit must be given for every direct quotation, for paraphrasing or summarizing a work (in whole, in part, in one's own words) and for information that is not common knowledge.

Collusion
Any student who knowingly or intentionally helps another student perform any of the above acts of cheating, dishonest conduct or plagiarism.

Special Needs: Please inform me as soon as possible if you have any conditions that may limit or affect your ability to participate in this course so that we can make necessary arrangements. You may also contact the Office of Student Disability Services, in the 707 Building (8-1645) for more information (see http://www.marquette.edu/disability-services/).

Emergency Plan: Every Marquette University campus building has emergency shelter and evacuation plans. Please familiarize yourself with the plans of each building in which you take classes or attend meetings. Make sure to note the routes to the lowest level of the buildings for shelter during inclement weather, as well as exits from the buildings in the event of fire or other emergency.

COBA Assessment: The fundamental mission of the College of Business Administration is to provide a quality education grounded in Catholic, Jesuit intellectual values. Students are expected to learn how to function effectively in a diverse and global economy and develop into responsible members of the business community. As one of many methods of assuring that the goals of our educational mission are successfully met, the college regularly and systematically engages in the assessment of these competencies.

Students in the MSAE program are assessed on their competency to support decision making in the business and public policy arenas using the standard analytical tools of applied economic analysis, to provide economic analysis to decision makers in both the private and public sectors, to act as skilled translators and liaisons between various business and policy specialists within
organizations, and to communicate effectively to convey the results and significance of their technical input and professional advice to both technical and non-technical audiences.

Students in our MBA programs are also assessed on their competency to communicate effectively, reason ethically and apply critical thinking, as well as their capacity to comprehend the global strategic issues of firms and perform fundamental activities of business managers. Students in our other graduate programs are assessed on specific competencies related to their disciplines.

Assessment takes place each semester in all programs and settings using quantifiable measures to gather and analyze information to help continuously improve the educational process. The College of Business Administration is dedicated to successfully providing a quality education for all students. Assessment is the continuous improvement process of evaluating our success. More information on assessment can be found at (http://www.marquette.edu/assessment/) or in the assurance of learning tabs under http://business.marquette.edu/academics/assurance-of-learning-undergrad or http://business.marquette.edu/academics/assurance-of-learning-graduate
Welcome to International Trade! The following is a tentative course outline for this class. The instructor reserves the right to alter the extent and timing of coverage as needed.

Jan. 25, Feb. 1 Introduction and classical model
   Adam Smith absolute advantage
   Classical Ricardian Model

Feb. 1, 8 Classical model extensions and neoclassical model
   Wage, multiple products, and transportation cost
   Neoclassical model
   Offer curves
   Heckscher-Ohlin Model and predictions

Feb. 15 Specific factors model, New trade theory
   Specific factors model
   Krugman’s model

Feb. 22, 29 International factor movements
   International labor migration
   International physical capital movement

March 14, 28 Trade Policy and impacts
   Welfare effects of tariff in a small and large country setting
   Welfare effects of quota in a small country setting
   Welfare effects of export subsidy in a small country setting

March 28 Arguments for trade restrictions
   Dumping, and anti-dumping procedure in the U.S.
   Arguments for trade restriction

April 4 Economic Integration
   Free Trade Areas
   Common Markets
   Customs Union
   Economic Union
   Trade creation and diversion of RTAs

April 11, 18 Trade Policies for Developing Nations and Brief summary of U.S. trade policy development

April 25, May 2: In-class presentations