

Economics 251: International Trade
University of Pennsylvania
Fall 2017

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Office Hours: Thursdays 1:30pm – 2:30pm, and by appointment

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Office Hours: Tuesdays, Time TBD (Discussion Session)
Wednesdays 9:00 – 10:00am, and by appointment

Course Homepage: Canvas site at <https://canvas.upenn.edu>

Time of Class: Tuesdays and Thursdays 10:30 – 11:50am
Room of Class: 286-7 McNeil (MCNB)

Discussion Sessions Time: Tuesdays, Time TBD

Discussion Sessions Location: TBD

Course Overview

Economics 251 is the basic undergraduate course in International Trade. The objective of this course is to further your ability to apply your knowledge of economics to analyze international trade questions.

This class surveys the real side of International Economics - the side concerned with trading in goods and services among countries. We will develop the theory of comparative advantage and will study the benchmark models of international trade: Ricardian, Heckscher-Ohlin, Specific Factors and Monopolistic Competition, as well as some cutting edge research in the New Trade Theory. We will also investigate how well these models do in explaining the observed patterns of trade. As well, we will use the framework provided by these models to analyze some policy issues such as international movements of factors of production. It is my goal that by the end of the course you will have a clear understanding of the basis for and gains from trade; and effects of international trade on the distribution of income, effects of tariffs, and other barriers to trade.

The course mainly deals with the pure theory of international trade. This implies that the course will be largely theoretical. Second, this means that we will NOT be discussing the international finance side of the International Economics. Students interested in the international finance should take Economics 252.

The prerequisites for this course are Economics 101 and Economics 102. The course requires the prerequisite courses for good reason. We will draw heavily on concepts developed in those classes. In contrast to Economics 101 and Economics 102, Economics 251 is much more mathematical and is centered on constructing and understanding economic models.

You are responsible for ensuring that you have successfully completed both course prerequisites and that you have not taken the anti-requisite course (Economics 050). If you find that you do not have the course prerequisites or have taken the anti-requisite course, it is in your best interest to drop the course as soon as possible. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces are available for other students to sign up for the class.

We will cover models at an abstract and relatively advanced level. My treatment of the international trade models will be more quantitative than that of the text. You **MUST** possess basic algebra and geometry skills. You will find your knowledge of the concepts of sets, functions, derivatives, integrals and optimization very helpful.

Unfortunately, only few of you will go into graduate study in Economics. I say “unfortunately” because I am passionate about Economics and I find it very exciting. It is perhaps the only social science that uses formal mathematical methods to analyze complex social interactions. The insights gained are invaluable. For example, during recent presidential elections many of you might have heard speeches (from candidates of either party) that go something like this:

"We need a new economic paradigm, because today America is part of a truly global economy. To maintain its standard of living, America now has to learn to compete in an ever tougher world marketplace. That's why high productivity and product quality have become essential. We need to move the American economy into the high-value sectors that will generate jobs for the future. And the only way we can be competitive in the new global economy is if we forge a new partnership between government and business."

My goal is that, just a few weeks into the course, you will be able to explain why every sentence in this speech **is wrong**. I hope you will share my enthusiasm for the economics method after you see this. It is my further objective that, by the end of the course, everybody is able to critique articles on international trade issues in publications such as *The Economist*, the *Wall Street Journal* or the *New York Times* using good economic sense and knowledge.

But first and foremost, I wish that you and I have fun with the course. I will do my best to make the lectures informative and entertaining. I expect from you that you will do your best to attend and participate in classes.

Organization of the Course

The class will consist of lectures when I will mostly cover theoretical material, and of the optional weekly discussion sessions during which solutions to problems, homeworks, and exams will be discussed. You should make every effort to attend discussion sessions. Most of the time discussion session will be conducted by the teaching assistant.

Instructor

A few words about myself. I grew up in Moldova - a very small country in Eastern Europe that was a part of the former Soviet Union. By age of 20 I completed my undergraduate studies in economics and in law at RPFU in Moscow, Russia. I got my Master's Degree in Economics from Vanderbilt University, and Ph.D. in Economics from the University of Western Ontario, Canada. Upon completing my Ph.D. studies I joined University of Pennsylvania, because I think it has *the best* Economics Department in the world. Since then I spend a year at the University of Chicago (where I taught more advanced courses on International Economics) as well as shorter visits to numerous other Economics Department, Business Schools and Central Banks. I am very proud to be at Penn and I hope you are happy to be here as well.

In addition to my appointment at Penn, I serve as a board member and as the Executive Director of the Federal Statistical Research Data Center in Philadelphia. I also serve, together with the heads of the U.S. federal statistical agencies, on the Executive Committee of the FSRDC Program, which aims to provide qualified researchers access to non-public data held by the US government for research purposes. I also hold secondary appointments at the National Bureau of Economic Research, Center for Economic Policy Research in the UK, Penn Population Studies Center, Penn Institute for Urban Research, Federal Reserve Bank of Philadelphia, and several European Universities.

I am very focused on economics research. My research agenda is concentrated on understanding labor market performance in the US and other countries. For example, I developed theories that can account for the sharp changes in wage inequality in the last three decades, as well as changes in productivity growth. I am also well-known on my work on business cycles and for measuring the economic effects of various economic policies. I am currently working on papers that investigate the effects of changes in international trade on the US economy. I have a very busy travel schedule. In the last couple of years I presented my research at seminars at over thirty universities and twenty conferences. This semester I will also give a number of seminars and conference presentations.

Your success in this class is very important for me. Therefore I want to be available for your questions as much as possible. You can always ask questions in class. I will also try to be available to answer questions right after class. In addition, I will hold regular office hours in my office 474, McNeil Building. I am also available for office hours by appointment. The best way to reach me is via email at manovski@econ.upenn.edu.

In addition, Maria Jose Orraca - the teaching assistant - will hold regular office hours in her office 363, McNeil Building. She will also conduct discussion sessions and will be available to answer your questions during that time. Maria is one of the best Ph.D. students in Economics at Penn and we are very fortunate to have her as a TA. I encourage you to make use of Maria's office hours and discussion sessions. You can also send her an e-mail at morra@sas.upenn.edu in order to set up an appointment.

I have set up a discussion section at Canvas class website. I strongly encourage you to post your questions there rather than e-mailing them to me or the teaching assistant. Maria and I will do our best to monitor that discussion site and to post answers as soon as possible. Unfortunately, Canvas does not allow students to post questions anonymously. To overcome this, I will also set up a discussion board for the class on Piazza (you will get an invitation to join it by e-mail). On that board you can post your questions anonymously so there is no reason to be shy. As a policy, Maria and I will not reply to personal e-mails about the course material. Such questions have to be asked through the Discussion section on Canvas or Piazza.

Your feedback along the course is crucial. If there is something about the course that you think can be improved, please let me know. We are in this together and the higher the quality of the class, the better for all of us.

Textbooks

There **required text** for this class is:

Advanced International Trade: Theory and Evidence, by Robert C. Feenstra, Princeton University Press.

The text is fairly advanced and rigorous. It is close in its level of difficulty to my lectures. If you feel that the text is too condensed for you and that you could benefit from a more introductory reading, I can recommend International Economics: Theory & Policy, by Paul R. Krugman, Maurice Obstfeld, and Marc Melitz OR International Economics by Robert C. Feenstra and Alan M. Taylor. These introductory texts are **not** required. If you choose to purchase one or both of them, I would suggest you read the relevant material in Feenstra's text after reviewing a simpler exposition in the introductory texts.

Some additional readings will be assigned later. I will make most of them available on the Canvas **web page** for the class. Most of my lecture notes, homework assignments and announcements will be posted there. These materials are important and you should read them. I will use the Canvas site as the main way for communicating with the class. You should know how to use Canvas to access all that material. The Library provides tutorials and help in case you are not familiar with Canvas. If you experience any difficulty with access to the course web page you should check the following link: <http://www.library.upenn.edu/courseware/canvas/>. Please note that all documents posted on the course web page are copyrighted and cannot be shared with those outside the class.

You should try to keep informed about what is going on in international trade world by reading publications such as *The Economist*, the *Wall Street Journal* or the *New York Times*. You can access them free of charge through Penn Library. I will try to address current economic events from time to time, and discussing them is much more fun if you heard about the news beforehand.

Course Requirements

I really care about you learning about International Trade. I think it is one of the most important classes you will take at Penn. My own experience (and experience supported by research in education) is that students learn more if they keep a constant attention to the material in the course. I think that the best way to achieve that result is through 4 tests, one every three to four weeks of classes. Each test will be done during regular lecture hours, and it may not take all the lecture time. Each test will include short questions and exercises. Each test will be worth 15 points. There will be NO midterms or finals.

The dates of the tests are:

1. Thursday, September 14
2. Tuesday, October 17
3. Thursday, November 9
4. Thursday, December 7

Tests: If you have a problem with any of these dates please let me know on or before September 5. After that I will NOT accommodate personal issues. Travel plans, job interviews, job internships, or any other reason you would prefer not to be at the university when the exam is scheduled is NOT an acceptable reason for missing a test. During the Course Selection period students are expected to attend all classes and they must keep up with assignments, tests, and material. Adding the course late will not be considered an acceptable reason for missing a test or not submitting timely any other assigned work.

My experience from the past is that a high percentage of conflicts with test dates is related to religious holidays. The Office of Chaplain at Penn has a calendar of religious holidays for the semester at <http://www.upenn.edu/chaplain>. You may want to check that calendar as soon as possible to solve NOW possible conflicts. I tried my best to schedule the tests so that they do not coincide with the holidays.

There will be no make-up dates for the tests. Missing a test will only be justified in the event of well documented illness or emergency. The grade for such missed test will be replaced with the average grade received on all the other tests. Students are required to use the Course Absence Reporting (CAR) system to report any missed test or assignment. CAR can be accessed using the PennPortal. Note: making false statements when using CAR is considered a violation of academic integrity and, if discovered, will be reported to the Office of Student Conduct and may result in a failing grade.

Please note that calculators, class notes, textbooks, any outside aids are not allowed during the writing of the tests (unless any of these objects are explicitly permitted by an

announcement in class). The use of any of these sources will result in a grade of zero on the test. All materials (other than pens, pencils and erasers) which you bring with you to the test must be stored in a closed bag. If you do not have a bag to put these materials in, then you must leave these materials at the front of the room while you write the test. You are not permitted to consult classmates or other individuals when writing your tests.

Assignments: There will be 4 homework assignments, each worth 10 points. Assignments are due in class at the beginning of the lecture on the due date. **No late assignments will be accepted.** If you are unable to attend class on a day when an assignment is due, you should make arrangements to submit the homework prior to the due date. Exceptions will be made to this rule only if you can provide documentation of unusual circumstances (i.e., illness) that prevented you from submitting the assignment on time. In such a case, you should contact your instructor within 2 working days of the due date and file a CAR report. The weight of such an assignment will fall on the remaining assignments.

Each student is expected to do his or her own work on assignments. Although you are encouraged to discuss the problems and their solutions with classmates, you must write up your answers independently. **Students who hand in identical (or sufficiently similar) homeworks will receive a grade of zero on the assignment.**

The due dates for the homeworks are as follows:

1. Tuesday, September 12
2. Tuesday, October 10
3. Tuesday, November 7
4. Tuesday, December 5

Please note that you are responsible for all material covered in the lectures, as well as the material in the assigned chapters of the text and other required readings. I will not hold you responsible for some of the pages in the assigned Chapters of the text. I will announce such pages as we go along. You are strongly encouraged to read the assigned chapters in the textbook prior to the lecture at which it is to be discussed.

Questions about Grades

If you have complaints about the grading of a homework or a test, do the following. **Within 1 week** after the test or the homework was returned, hand back to me your graded test and a **written** statement detailing the problem(s) which you would like re-graded, as well as explaining why you feel the grade should be changed. The entire homework (or test) will be re-graded so that it is possible that your score may go up or down as, statistically, positive and negative errors in grading are equally likely. If the request arises because you think different students have been graded differently, all the affected students should submit their work as a group. A week after the homework (test) has been returned, the grades cannot be changed anymore and no further complaints will be accepted.

Calculation of Grades

To compute the final grade I will simply add up the grades for all assignments and tests. Students taking the course for a letter grade will receive grades from A+ through D or an F. The mapping of points into letter grades is given by:

Points Achieved	Letter Grade
96 - 100	A +
92 - 95.75	A
88 - 91.75	A -
84 - 87.75	B +
80 - 83.75	B
76 - 79.75	B -
71 - 75.75	C +
66 - 70.75	C
60 - 65.75	C -
55 - 59.75	D +
50 - 54.75	D
0 - 49.75	F

Note that I will not curve grades. If every student deserves an A+, then I will only give A+. But there is only one way of receiving a good grade in class, and this is to earn it by working hard.

Syllabus Information Updates

Whenever any of the information in this syllabus is changed, a note detailing such changes will be posted on the Canvas web page for the course. You must pay close attention to such announcements. I will try hard to avoid making any changes unless they are essential.