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Class meets: Monday, Wednesday 3:30-4:50 in Harris L07

Office After class on Mondays & Wednesdays 4:50-6:00 in Harris L07, Tuesdays 3:00-4:30 in

Hours: Kellogg Global Hub 3393, and also at other times by appointment.

Readings: Web notes:

<https://sites.google.com/site/markwitteeconomics/home/economics-361-international-trade>

Textbook: International Trade, Krugman, Obstfeld & Melitz (KOM), 10th Edition (2015)

I've not taught this class before, so I don't have a good idea of how long it will take to cover various topics. I will let you know what I expect you to read, when homework has become available, and when it is due.

Some important dates:

Monday, January 20, Martin Luther King Day, no class

Friday, January 24: [P/N Deadline](#)

Wednesday, February 12: **Midterm** 3:30-5:00 in Harris L07 (35% of class grade)

Friday, February 14: [Drop Deadline](#)

Tuesday, March 17: **Final Exam** 3:00-5:00 in Harris L07 (45% of class grade)

1. Introduction (KOM Chapter 1), [Medieval trade routes](#)
2. Gravity Models of Trade (KOM Chapter 2)
3. [Containerization: Truck Driver Who Reinvented Shipping](#)
4. Labor Productivity and Comparative Advantage: The Ricardian Model (KOM Chapter 3), [Iowa Car Crop](#)
5. Winners & Losers from Trade: Specific Factors & Income Distribution (KOM Chapter 4)
6. Autor/Dorn/Hanson China Shock: [Autor video](#), [Autor IZA article](#)
7. Resources & Trade: The Heckscher-Ohlin Model (KOM Chapter 5, postscript), [Video](#)
8. The Standard Trade Model (KOM Chapter 6, postscript)
9. External Economies of Scale and International Location of Production (KOM Chapter 7)
10. Kremer's [O-Ring Theory of Development](#)
11. Firms in the Global Economy: Export Decisions, Outsourcing, & Multinational Enterprises (KOM Chapter 8, postscript)
12. Instruments of Trade Policy (KOM Chapter 9)
13. The Political Economy of Trade Policy (KOM Chapter 10), [History of US Trade Wars](#)
14. Trade Policy in Developing Countries (KOM Chapter 11)
15. Controversies in Trade Policy (KOM Chapter 12)
16. Migration
17. Conclusion

Learning Objectives: We will learn how to approach these questions: What determines the pattern of trade? (Who trades with whom, what, and how much?) What are the effects of international trade on economic welfare? What are the effects of trade policies? How do domestic policies interact with trade and trade policies?

| Grading | Share of Class Grade |
|----------|----------------------|
| Midterm | 35% |
| Final | 45% |
| Homework | 20% |

The following are questions that many of you will have about the class.

Q: I am not now nor have I ever taken the **prerequisites**. Am I in trouble in here?

A: Probably; this class uses the tools of Econ 310-1,2 Intermediate Microeconomics a lot, and Econ 281 Introduction to Econometrics a bit.

Q: Is there a TA section on Fridays from 3:30-4:30?

A: Sort of. It was not clear that I'd get a TA for this class, so we didn't make Friday's mandatory for this class, but Jiachen Ma will have optional TA sections to talk about hard stuff and homework problems. We will announce week-by-week when those will be held.

Q: What is the deal with these homeworks?

A: There will be a bunch of these over the course of the quarter and they will usually follow what we did in lecture, and have some predictive value for what will be on the exams. Your first homework will be get you familiarized with the use of Piazza, so you will need to post an interesting article relating to international trade in Piazza (in Canvas). When you post your article, don't send it to the whole class but rather only to me, and be sure to put your last name in the header so I know it's from you. When you post on Piazza about specific homework or exam questions, it's very helpful if you cut-and-paste the actual question into what you write in Piazza.

Q: What are the basic work expectations for the class?

A: I hope that you will do about two hours of study for every hour of lecture, and that you will get read the material assigned for the lecture before class (and catch up on the first lecture assigned reading too).

Q: What is your electronics communication policy?

A: **(1)** I expect you to have your preferred e-mail address entered into Canvas so that I can send messages to the class, and I expect you to check that e-mail on a daily basis. **(2)** Use Canvas's **Piazza** discussion forum (found in Canvas's "Modules") to post questions that would be of general use to your classmates. (Yes: "What does MR stand for?" No: "I got 11 points on the midterm; does that mean I'm going to flunk the class?") [Piazza is a discussion forum that allows anonymous posts. The story about [its creation](#) is pretty cool.] **(3)** Silence your cell phone for the duration of the class and put it away where you won't be tempted to look at it.

Q: Is it OK if I surf the web and watch crazy videos whenever your lectures get too boring?

A: Sorry, no. Put your phones away and no computers or tablets during lecture; take notes on paper. (I understand that some of you like to take notes on your computer. However, I take a pretty decent salary with the expectation that in return I am to teach you economics. So, the temptation to look at distractions online during class is [likely to diminish your learning in lecture](#), and worse still, people who are web surfing distract the people around them, creating a negative externality.) If this creates a great hardship for you, please come talk to me about it, and we can find out a seat up front.

Q: What happens if I fall suddenly ill and am unable to make it to a test?

A: If you do not reach me or leave a message on my e-mail (mwitte@northwestern.edu), your misfortune will be doubled. You will get a zero on the test for a grade of F that cannot be made up. Any problem that causes you to be physically unable to take a test must be carefully documented by an independent source who can confirm that you were incapacitated.

Q: Can I expect any leniency if I'm caught cheating or engaging in any unethical behavior?

A: No. Weinberg's policy is that students who are suspected of cheating are reported *immediately*. In recent years, I've sent the names of students to the dean; some were expelled and those who were not did not enjoy the experience.

Q: The lecture is running a few minutes over, what should I do?

A: Stay put and observe a rare occurrence.

Q: In studying for the tests, should I stress studying the notes, the book, or the readings?

A: All of the above, but particularly the notes. I'll make sure that I don't inflict any math problems on the exams that I haven't already given you in the homework. Note however, that not everything that is important for the class, or that I cover in lecture or the readings will make it onto the test. Some material is important for you to learn, but does not lend itself to good test questions. I'm also inclined to have you do math on the homework to build that level of understanding there, and then use graphs on exam questions so as to minimize the chance of algebra mistakes causing you to miss points on something where you had a good level of understanding.

Q: I can see that half of the people in this class are harder working than I am and the other half of the students are lazier than I am. What grade will I get in here?

A: A low B. You are the median or middle student. Half the class will get grades of B or better and the other half will get grades of B or worse. However, this doesn't hold exactly in a small class. In smaller classes, I usually end up grading by the method of "significant differences." I compute weighted points for everyone in the class. Some of you will do really well, then there will be a bit of a gap in the scores, then there will be another bunch, and then a gap in the scores, then another bunch, then, a gap, etc. The top bunch will be the A's, the next bunch the B's, etc. with the minus/plus grades falling in between. The grades on the midterms give guidance toward where you are likely to be in this distribution (where midterm points matter, but grade breaks don't). The points from the homeworks move you up or down in that distribution.

Q: Averaging my grades, I come out very close to a higher grade. How about if you give it to me?

A: No...unless you are deserving of special consideration.

Q: Am I deserving of special consideration?

A: That depends. I may feel you deserve a higher grade than you earn on the tests if I feel that your comments in class, Piazza, and office hours improve the education of your fellow students and show you are able to and have been thinking intelligently about the material.

Q: What will the tests be like?

A: Some problem solving, some graphing, some essays. The homeworks will give you examples of the sorts of problems I am apt to ask. Also, you are expected to *go to the bathroom before the exam and then hold it until the exam is over*. Interesting fact: On the tests, *we will give you points for leaving a question blank*. On any given problem or graded sub-problem, we will give you 20% of the points if you leave the question completely blank (or clearly cross out what you've written). This is intended to remove the incentive to pursue "pity points" on questions where you really don't know what I'm asking, and instead allow you to devote your time to doing the best you can on the material you know best. Of course...you'll probably just choose to write complete and perfect answers to every question on every test, but we wanted you to have the option.

Q: What are the math requirements for this class?

A: You will need to be able to do really simple calculus, graphing, and algebra. I'll expect you to be able to use basic economic tools like present values, expected values, noncompetitive market structures, and to understand regression analysis. I will do some more complicated math for the purposes of exposition but I will not ask you reproduce it on the exams although you should understand the underlying ideas. As a guide, I will try to preview any math or exposition you might need in the homework.

Q: What if I have concerns about accessibility for this class?

A: Any student with a documented disability needing accommodations is requested to speak directly to the AccessibleNU (accessiblenu@northwestern.edu, 847-467-5530) and the instructor, as early as possible in the quarter (preferably within the first two weeks of class). All discussions will remain confidential.

Q: When the class is over, what will I wish that I had known at its start?

A: Beyond the obvious things, in the past some students wrote on their CTECs that they wish they had known my tests would be so hard. I agree that my tests tend to be a bit long and I try to make them hard. Also, I'll admit there's some reading so be careful not to fall too far behind. Now you've been warned.

Q: What is the most important thing?

A: Please be assured that I want students to learn and to receive the good grades they deserve. So please make an appointment with me should you have undue difficulty with your work in the course.

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