

# **ECON 475: International Trade Theory**

**Fall 2022**

## **Class Meets**

Section 1: Monday, Wednesday, Friday 11:00 – 11:50, Chancellors Hall 134

Section 2: Monday, Wednesday, Friday 12:00 – 12:50, Chancellors Hall 134

## **Professor**

John Lopresti  
Chancellors Hall 243  
jwlopresti@wm.edu

## **Office Hours (In Person or Zoom)**

Tuesday, 1:00 – 3:00  
Wednesday, 2:00 – 3:00  
Or by appointment

## **Textbook**

Strongly Recommended: *International Trade*, Feenstra and Taylor 5<sup>th</sup> edition (older editions are fine)

Additional readings will be posted to Blackboard throughout the semester.

## **Course Grade**

Homework (Best 3 out of 4)	30%
Writing Assignment	5%
Midterm Exam	30%
Final Exam	35%

## **Final Grade**

92+ A  
90-92 A-  
88-90 B+  
82-88 B  
80-82 B-  
Etc.

Assignments, including the writing assignment, are due through Blackboard by 5:00 PM Eastern on the dates listed below. Assignments turned in after 5:00 will be accepted for 24 hours with a penalty of 20 percentage points. Assignments turned in more than 24 hours late will not be accepted. I encourage you to work together on these assignments. However, each student is required to turn in their own problem set.

Exams are closed book. The midterm exam will be given in class on the date listed below. Students who have an excused absence (school events, religious holidays, illness, etc.) should notify me as soon as possible and an alternative date will be scheduled. In the event that you have questions regarding the grading of an exam, you have one week from the day it is returned to contact me with questions.

## **Three pieces of advice:**

- 1) Come to class! I do not take attendance, but the historical correlation between attendance and performance is high.
- 2) Take the homework assignments seriously! Do them all – practice problems too – and try to understand general concepts, not just specific questions.
- 3) Come to office hours! Your questions are not dumb. The chapters build on each other, so don't wait until right before the exam.

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### **Important Dates**

**Add/Drop Ends:** Monday, September 12

**Virtual Class:** Monday, November 21 (Thanksgiving)

**No Class:** Monday, September 5 (Labor Day)  
Friday, October 14 (Fall Break)  
Wednesday, November 23 (Thanksgiving)  
Friday, November 25 (Thanksgiving)

**Problem Set 1 Due:** Monday, September 19

**Problem Set 2 Due:** Friday, October 7

**Problem Set 3 Due:** Friday, November 11

**Problem Set 4 Due:** Friday, December 9

**Writing Assignment Due:** Friday, November 18

**Midterm Exam:** Wednesday, October 12 (In Class)

**Final Exam:** Section 1: Tuesday, December 13, 9:00 AM – 12:00 PM

Section 2: Friday, December 16, 9:00 AM – 12:00 PM

### **Student Accessibility Services**

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at [sas@wm.edu](mailto:sas@wm.edu) to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see [www.wm.edu/sas](http://www.wm.edu/sas).

### **W&M Honor Code**

The College of William & Mary has had an honor code since at least 1779. Academic integrity is at the heart of the College, and we all are responsible for upholding the ideals of honor and integrity. The student-led honor system is responsible for resolving any suspected violations of the Honor Code, and I will report all suspected instances of academic dishonesty to the honor system. The Student Handbook ([www.wm.edu/studenthandbook](http://www.wm.edu/studenthandbook)) includes your responsibilities as a student and the full Code. Your full participation and observance of the Honor Code is expected. To read the Honor Code, see [www.wm.edu/honor](http://www.wm.edu/honor). All academic work in this course is to be your own.

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## **Course Outline**

What is provided below is a tentative outline of the topics to be covered in this course. While the broad structure will remain unchanged, topics may be added or removed as time dictates. Relevant changes will be noted in class.

### **Chapter 2: The Ricardian Model: Trade and Technology**

Why do countries trade with one another? How does productivity affect the pattern of trade? What is the nature of gains from trade?

### **Chapter 3: The Specific Factors Model: Winners and Losers from Trade**

Can we explain opposition to trade? What determines winners and losers from trade?

### **Chapter 4: The Heckscher Ohlin Model: Resources and Trade**

What role do factor endowments play in the pattern of trade? How do changes in goods prices affect returns to factors of production? How do changes in endowments affect outputs? Do factor prices converge?

### **Chapter 5: Factor Mobility**

Are there gains to movement in factors of production? Does the effect of factor mobility change over time? How does immigration affect wages of domestic workers?

### **Chapter 6: Increasing Returns, Imperfect Competition, and Firms in Trade**

Why do similar countries trade? How do increasing returns to scale affect the motivation for trade? What role do individual firms play in trade? How can we explain empirical regularities regarding firm productivity and trade?

### **Chapter 7: Outsourcing, Wages, and Inequality**

What about world trade do models of trade in final goods fail to capture? How does offshoring affect wages of skilled and unskilled labor? Are the incentives and effects for outsourcing different from those for trade in goods?

### **Chapter 8: Trade Policy Under Perfect Competition: Tariffs, Quotas, and Subsidies**

What are the effects of trade policy on domestic and world prices? On output? What are the welfare effects of the various policies? How do the effects depend upon the market power of a country?

### **Chapter 10: Strategic Trade Policy, Other Protectionist Arguments**

What is the incentive for active subsidization? What are the hurdles to such a policy? What is the infant industry argument?

### **Chapter 11: Trade Agreements**

Do we need trade agreements? What role does the World Trade Organization play in global trade? What do the data say about recent trade agreements? How do we measure the effect of trade agreements?