

**ECONOMICS 458**  
**International Trade Theory and Applications**

**2023 Winter**  
**Tuesday and Thursday, 8:00-9:15**

**Instructor:** Scott Bradford  
**Email:** [bradford@byu.edu](mailto:bradford@byu.edu)  
**Phone:** 801-422-8358  
**Office:** WVB 2130  
**Office Hours:** Set up an appointment using my Calendly page. The link is <https://calendly.com/scottbradford/meeting>.

**TA:** Grace Domine  
**Email:** [gracedgraceful@gmail.com](mailto:gracedgraceful@gmail.com)  
**Phone:** 862-596-3288  
**Office Hours:** Tu 16-17, W 11-12, Th 16-17, F 11-12. WVB 1142A.

**DESCRIPTION**

International economics influences each of our lives more strongly each year: citizens of other nations produce an ever-rising share of the goods and services that we buy. I have designed this course to help us understand more clearly the causes and implications of such deepening global integration. We will examine three broad questions: 1) What forces cause goods, capital, and people to move across national borders? 2) What happens when governments interfere with these flows? 3) Why do many people want such intervention while others argue strongly against it? Pursuing answers to these questions will enable us to analyze more specific questions, such as: Does trade tend to raise income in all nations, or does trade lower income in some nations? What influence does trade have on the distribution of wealth **within** countries? Should poor nations restrict trade? Should rich nations allow more immigration, or less? Are trade deficits bad and trade surpluses good? Do trade agreements, like NAFTA and the WTO, help or hurt the US? Is some trade "unfair"?

We will use readings, quizzes, practice and discussion, problem sets, writing assignments, and tests to promote learning.

I will assume knowledge of calculus and the material from Economics 380. Knowledge of Economics 382 will also help.

## **HOW WE WILL RUN THIS COURSE**

### **Pre-class Preparation**

For each class, I will give you pre-class materials to work through beforehand: assigned textbook and journal article readings; class "write-ups", which are transcripts of lectures I would deliver if this were a lecture course; "Key Concepts" summary sheets; and quizzes. I do not expect you to learn the material on your own, but I do expect you to apply yourself to the readings before each class.

And now a plug for doing the readings on schedule. In general, those who do this perform better in the class. There is another benefit, though. We are a learning community. We meet together as a class and learn as a class. So, the closer we get to everyone coming to class having conscientiously done the readings, the more we all will learn. Thus, doing the reading has social as well as personal benefits. So, please strive to be model 458 citizens and do your best to read on schedule!

### **Class Sessions**

During class time, we will discuss your questions and work through practice problems. I will be happy to discuss whatever topics seem to benefit the most students, including giving mini-lectures, but I will not mechanically rehash the pre-class materials during class time. To facilitate learning, I will from time to time break you up into discussion groups, in which you will work together to solve problems.

## **COURSE REQUIREMENTS**

### **Readings**

All readings are required and come from the following sources:

**Class Preparation Documents.** These include a lecture write-up for each class, "Key Concepts" summary sheets, and quiz answer sheets.

**Dennis R. Appleyard and Alfred J. Field, Jr.** 2017. *International Economics*, 9<sup>th</sup> Edition. Boston: McGraw-Hill Irwin.

**Russell Roberts.** 2006. *The Choice: A Fable of Free Trade and Protectionism*, 3<sup>rd</sup> Edition. Prentice Hall.

**Electronic Reserve Readings.**

I will post all class preparation documents on Learning Suite. You can buy the books at the bookstore and probably from the web. The library web page will have the electronic reserve readings.

### Pre-class Quizzes

To motivate you to read ahead of time and to help boost your understanding, you will have a quiz before each class. These quizzes will be short: Five true-false questions that test comprehension of the readings. Each question is worth one point.

Pre-class quizzes will be due at **7:00 each class day**. Since this is early, if you are a night person, I recommend submitting your quiz the night before. These quizzes are **open book** but **closed person**. During the quiz, you can consult the readings and whatever notes you have. Please, though, do not consult another human during the quiz. Doing so constitutes cheating. Of course, you also should not cheat in other ways, such as getting access to the questions or answers before you take the quiz. These quizzes will be **timed**: 20 minutes each. The time limit means that you will need to work through the readings ahead of time. **Each pre-class quiz is worth five points**, and there are 23 quizzes. Your total quiz score, though, will be **capped at 110 points**. Thus, you will have 115 questions to get the maximum 110 points. You cannot make up missed quizzes.

### In-class Writing

At the end of each class, I will ask you write about what we are learning by responding to two prompts, such as the following:

- Describe at least one insight you gained from today's class and explain why it matters to you or society.
- Write down at least one question that you still need answered.
- Provide at least one example of how today's material is manifest in the world.
- How did today's class confirm, enhance, or contradict what you thought you knew before?

Each time you provide reasonable answers to the two prompts before leaving class that day, you get **two points**. You will have 23 classes in which to do this. The total points for in-class writing will be capped at **40**, so you can miss doing this three times and still get full credit. You can submit the responses on paper or electronically.

### In-class Extra Credit Quizzes

To provide further chances to learn and to gain points, I will give **eight in-class quizzes**. They will be closed book and have five questions, worth two points each, for a total of **10 points per quiz**. Points earned on these quizzes will be **extra credit**.

### Problem Sets

You will have **eight problem sets, worth 20 points each**. The course calendar on page 9 shows the due dates. I will post problem set solutions at the problem set deadline, so late problem sets cannot receive full credit. You can, however, turn late ones in any time through the last day of classes, April 19, and receive a grade of 8 on those, if they are more than three fourths correct. You may work with others on the problem sets, but please turn in your own personal answers. Free riding with problem sets will come back to haunt you during the exams.

## Learning Dialogue Essays

In order to help you understand well key concepts of the course, you will have **three** writing assignments called Learning Dialogue Essays (LDEs). For each, you will need to answer specific questions. These assignments have two parts. You first engage in a Learning Dialogue with another person, in which you explain the answers to that person. As the name implies, this should be a dialogue. Your partner should ask you questions until he or she feels like he or she understands well. Do not skimp on these dialogues. Effective ones last 15 minutes or more. Ensuring that the other person understands the answers well will help you to understand them well. I assign dialogue essays because simply reading and taking notes can be deceptive. Learning gaps can go undetected. Actually explaining something, though, quickly exposes gaps and helps you to fill them. After you complete the Learning Dialogue, you will then write your answers to the questions in essay form, with a 300-word maximum.

LDEs will be due on Fridays **about once a month, with the first due February 17 at 17:00**. I will give further details for each on separate handouts.

Each LDE is worth 30 points: the Learning Dialogue counts for 10 points, while the essay counts for 20 points. For the first two essays, if your score on the essay part is 18 points or less, you can **rewrite** it for a chance to get half of the missing points back. You will need to submit a paragraph describing the essay's improvements along with the re-write. Re-writes need to stay under the word limit. Please email the re-write along with the explanation to Professor Bradford. You will then either get half of the points back or no change in the grade. These re-writes will be due one week after getting the initial essay back.

Late LDEs turned in within one business day (by the following Monday at 17:00) will receive a five-point penalty. LDEs turned in between one and two business days late (between the following Monday at 17:00 and the next day, Tuesday, at 17:00) get a 10-point penalty. LDEs turned in after that and by April 19, Wednesday, get a 15-point penalty. These late penalties are permanent: rewrites cannot be used to make up late penalty points.

## Tests and Final Exam

### Overview

We will have three tests and a final exam. All tests and the final will be cumulative and will have the same format as the problem sets: short answer questions and longer analytical problems. The tests and final will increase in length and point value as the semester goes on, as follows:

Test 1:	50 points.
Test 2:	100 points.
Test 3:	150 points.
Final Exam:	300 points.

The tests are closed book with no time limit. They will happen once a month in the Testing Center. See the Course Calendar below for the exact schedule for each test. Each test will run Thursday through Saturday, and we will not have class on that Thursday. Instead, Grace will run an optional review session.

The **final exam** will be in class at the assigned time and thus will have a three-hour time limit. It will also be closed book. You must pass the final to pass this course.

### Second Chance Testing

We will drop all tests whose percentage is below your percentage on the final and add the weight of any dropped tests to the final. For instance, Test 1 counts for 50 points, or 5% of the final grade. If your percentage on the final exceeds your percentage on Test 1, then we will drop it, and the final will get 5% added weight. We will drop **all** tests with lower percentages than the final, so it is possible that we drop all three tests, which would mean that the final would count 60%.

This system means that, if you struggle early on but then recover and learn the material well in the end, you get full credit for that final knowledge and are not penalized for early struggles.

Note that this system also means that, in effect, the tests are optional (though the final is not!). You can just skip all three of them and put 60% weight on the final. I do not recommend this, though! Putting so much weight on the final is risky. That risk is compounded by the fact that skipping the tests will make it difficult to prepare well for the final. The actual process of taking the tests gives you valuable practice with the types of questions that will show up on the final and implants the concepts more firmly in your mind. Taking the tests will also enable you to identify gaps in your learning that need to be filled to do well on the final.

There are no make-up tests. If you miss a test, for whatever reason, we will just add the weight to the final.



## **GRADING**

The following table summarizes the grade breakdown for the course.

	<b>POINTS</b>
<b>OUT-OF-CLASS ASSIGNMENTS</b>	
23 Pre-class Quizzes	110
23 In-class Writing Assignments	40
8 Problem Sets	160
3 Learning Dialogue Essays	90
<b>Subtotal</b>	<b>400</b>
<b>EXAMS: DEFAULT POINTS</b> (Tests whose percentages are lower than the Final's will be dropped, and those tests' weight will be added to the Final's.)	
Test 1	50
Test 2	100
Test 3	150
Final Exam	300
<b>Sub-total</b>	<b>600</b>
<b>GRAND TOTAL</b>	<b>1000</b>

The final letter grade scale used will be **no stricter** than the following:

<b>POINTS</b>	<b>GRADE</b>
933 or more	A
900-932	A-
867-899	B+
833-866	B
800-832	B-
767-799	C+
733-766	C
700-732	C-
667-699	D+
633-666	D
600-632	D-
599 or less	E

Do not obsess over your grade. If you love learning for its own sake and do your best, everything else will fall into place. We will only give an **incomplete (I)** if circumstances beyond your control make it impossible to complete the required work within the prescribed time. An "I" is never given when a student is failing or has failed the course. Valid reasons for an "I" do not include a demanding job, a break-up, or the Washington Wizards missing the playoffs again.

## **COMMUNICATION**

This class will have an optional Slack discussion board that Grace and I will monitor. See Learning Suite for the link. I encourage you to post questions of general interest to Slack: your fellow students, Grace, or I will provide answers. Grace and I also welcome in-person meetings, call, emails, and private Slack messages. Open communication improves the quality of your work and ours!

## **ACADEMIC HONESTY**

Despite the stresses of college life, please do not resort to cheating. You know as well as I that the costs of dishonesty far exceed the benefits of possibly getting a higher score. Also, cheating threatens your eligibility to continue as a BYU student, until amends are made. I do not go easy on cheating, but the more quickly one confesses, the less severe the punishment. See <https://honorcode.byu.edu/> for more information.

## **SEXUAL HARASSMENT AND GENDER DISCRIMINATION**

BYU prohibits all forms of sexual harassment—including sexual assault, dating violence, domestic violence, and stalking on the basis of sex—by its personnel and students and in all its education programs or activities. University policy requires all faculty members to promptly report incidents of sexual harassment that come to their attention in any way and encourages reports by students who experience or become aware of sexual harassment. Incidents should be reported to the Title IX Coordinator at [t9coordinator@byu.edu](mailto:t9coordinator@byu.edu), (801) 422-8692, or 1085 WSC. Reports may also be submitted online at <https://titleix.byu.edu/report> or through the 24-hour hotline at 1-888-238-1062. BYU offers a number of resources and services for those affected by sexual harassment, including the university's confidential Sexual Assault Survivor Advocate. Additional information about sexual harassment, the university's Sexual Harassment Policy, reporting requirements, and resources can be found in the University Catalog, by visiting <http://titleix.byu.edu>, or by contacting the university's Title IX Coordinator.

## **DISABILITIES**

Brigham Young University is committed to providing a working and learning atmosphere that reasonably accommodates qualified persons with disabilities. A disability is a physical or mental impairment that substantially limits one or more major life activities. Whether an impairment is substantially limiting depends on its nature and severity, its duration or expected duration, and its expected long-term impact. Examples include vision or hearing impairments, physical disabilities, chronic illnesses, emotional disorders (e.g., depression, anxiety), learning disorders, and attention disorders (e.g., ADHD). If you have a disability which impairs your ability to complete this course, please contact the University Accessibility Center (UAC), WSC 2170 or 801-422-2767, to request an accommodation. The UAC can also assess students for learning, attention, and emotional concerns. If you feel you have been unlawfully discriminated against on the basis of disability, please contact the Equal Opportunity Office at 801-422-5895, [eo\\_manager@byu.edu](mailto:eo_manager@byu.edu), or visit <https://hrs.byu.edu/equal-opportunity> for help.

## **INTERNATIONAL TRADE OUTLINE**

### **0. INTRODUCTION**

### **I. REVIEW OF MICRO CONCEPTS**

### **II. WORLD EQUILIBRIUM AND THE GAINS FROM TRADE**

### **III. THEORY: WHY NATIONS TRADE**

- A. Comparative Advantage
  - 1. Differences in Tastes
  - 2. Differences in Technology: The Ricardian Model
  - 3. Differences in Endowments
    - a. Trade of Goods and Services Only
      - i. The Heckscher-Ohlin Model
      - ii. The Specific Factors Model
    - b. International Factor Flows
      - i. Immigration
      - ii. Portfolio Investment
      - iii. Direct Foreign Investment and Multinational Firms
  - 4. Differences in Fiscal Policy
- B. Economies of Scale
  - 1. Internal Economies of Scale: Monopolistic Competition and Intra-Industry Trade
  - 2. External Economies of Scale
- C. Imperfect Competition
  - 1. Monopoly
  - 2. Oligopoly

### **IV. TRADE POLICY: EFFECTS**

- A. Policy with Perfect Competition
  - 1. Trade Taxes and Subsidies
  - 2. Quantitative and Other Restrictions
- B. Policy with Economies of Scale and Imperfect Competition

### **V. TRADE POLICY: CAUSES**

- A. National Political Economy
- B. International Political Economy
  - 1. Preferential Trade Areas: Overview
  - 2. International Negotiations and Trade Policy



## **COURSE SCHEDULE (subject to change)**

<b>Class</b>	<b>Date</b>	<b>Topic</b>	<b>Readings</b>
1	Jan 10	Introduction	Chapters 1 and 2.
2	Jan 12	Consumer and Producer Theory	p. 62-75, 78-79.
3	Jan 17	Gains from Trade 1	Chapter 6 (including the Appendix).
4*	Jan 19	Gains from Trade 2; Tastes and Trade	
5	Jan 24	Comparative Advantage/Ricardo Model 1	Chapter 3
	<b>Jan 24, Tu</b>	<b>Problem Set 1 Due at 17:00.</b>	
6	Jan 26	Comparative Advantage/Ricardo Model 2	Chapter 4. Reserve 1.
7*	Jan 31	The Heckscher-Ohlin Model 1	p. 122-132.
	<b>Feb 2, Th</b>	<b>Problem Set 2 Due at 17:00.</b>	
	<b>Feb 2-4, Th-Sa</b>	<b>TEST 1. TA Review during class time, Feb 2, Th.</b>	
8	Feb 7	The Heckscher-Ohlin Model 2	p. 132-137, 215-216.
9	Feb 9	The Specific Factors Model	p. 142-148.
10*	Feb 14	Issue Focus: Trade and Wages	p. 164-171; Reserve 2-5.
	<b>Feb 14, Tu</b>	<b>Problem Set 3 Due at 17:00.</b>	
11	Feb 16	International Factor Flows	
	<b>Feb 17, F</b>	<b>LDE#1 due at 17:00.</b>	
	<b>Feb 21, Tu</b>	<b>No Class. Presidents Day.</b>	
12	Feb 23	Migration 1	p. 242-245, 249, 255; Reserve 6-7.
13*	Feb 28	Migration 2	p. 245-248.
	<b>Mar 2, Th</b>	<b>Problem Set 4 Due at 17:00.</b>	
	<b>Mar 2-4, Th-Sa</b>	<b>TEST 2. TA Review during class time, Mar 2, Th.</b>	
14	Mar 7	International Capital Flows	p. 236, 238-239.
15	Mar 9	Direct Foreign Investment	p. 227-242, 382-384; Reserve 8.
16*	Mar 14	Fiscal Policy and Trade	
17	Mar 16	Economies of Scale/Monopolistic Competition	p. 193-197.
	<b>Mar 16, Th</b>	<b>Problem Set 5 Due at 17:00.</b>	
	<b>Mar 17, F</b>	<b>LDE#2 due at 17:00</b>	
18	Mar 21	External Economies of Scale	p. 198-200, 342-344.
19*	Mar 23	Market Power	p. 141-142, 335-337.
20	Mar 28	Issue Focus: Freer Trade or Not	p. 321-325, 327-332; Reserve 9-10.
	<b>Mar 30, Th</b>	<b>Problem Set 6 Due at 17:00.</b>	
	<b>Mar 30-Apr 1, Th-Sa</b>	<b>TEST 3. TA Review during class time, Mar 30, Th.</b>	
21	Apr 4	Trade Taxes and Subsidies 1	p. 258-264, 270-271, 303-306, 282-285.
22*	Apr 6	Trade Taxes and Subsidies 2	p. 290-291, 265-270.
	<b>Apr 6, Th</b>	<b>Problem Set 7 Due at 17:00.</b>	
23	Apr 11	Quantitative and Other Restrictions	p. 271-277, 285-286, 297-299.
24	Apr 13	Summary	The Roberts Book: all.
	<b>Apr 14, F</b>	<b>LDE#3 due at 17:00.</b>	
25*	Apr 18	Overflow and Review	
	<b>Apr 19, W</b>	<b>Problem Set 8 and All Late Work (Problem Sets, LDEs) Due at 23:59.</b>	
	<b>Apr 20, Th</b>	<b>TA Final Review</b>	
	<b>Apr 22, Sa, 7:00-10:00</b>	<b>FINAL EXAM!</b>	

**Quizzes due at 7:00 each class day starting with Class 2.**

\* Extra Credit Quizzes in class these days.

### **ELECTRONIC RESERVE READINGS**

1. **P.A. Samuelson.** Summer 2004. "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization." *Journal of Economic Perspectives.* 18(3):135-146.
2. **R.B. Freeman.** Summer 1995. "Are Your Wages Set in Beijing?" *Journal of Economic Perspectives.* 9(3):15-32.
3. **R.C. Feenstra.** Fall 1998. "Integration of Trade and Disintegration of Production in the Global Economy." *Journal of Economic Perspectives.* 12(4):31-50.
4. **Paul R. Krugman.** Spring 2008. "Trade and Wages, Reconsidered." *Brookings Papers on Economic Activity.* p. 103-154.
5. **Jonathan Haskel, Robert Z. Lawrence, Edward E. Leamer, and Matthew J. Slaughter.** Spring 2012. "Globalization and U.S. Wages: Modifying Classic Theory To Explain Recent Facts." *Journal of Economic Perspectives.* 26(2):119-140.
6. **R.B. Freeman.** Spring 2006. "People Flows in Globalization." *Journal of Economic Perspectives.* 20(2):145-170.
7. **Michael A. Clemens.** Summer 2011. "Economics and Emigration: Trillion-dollar Bills on the Sidewalk?" *Journal of Economic Perspectives.* 25(3):83-106.
8. **J. Bhagwati, A. Panagariya, and T.N. Srinivasan.** Fall 2004. "The Muddles over Outsourcing." *Journal of Economic Perspectives.* 18(4):93-114.
9. **R. Broad and J. Cavanaugh.** Summer 2006. "The Hijacking of the Development Debate." *World Policy Journal.* P. 21-30.
10. **J.E. Stiglitz.** 2007. "Making Trade Fair", Chapter 3 in *Making Globalization Work.* New York: W.W. Norton and Company.